

DEVELOPMENT STRATEGIES
FOR THE
UNITED STATES POSTAL SERVICE TERMINAL ANNEX
AND THE
LOS ANGELES UNION PASSENGER TERMINAL

By

Suzanne L. Finch
B.S., University of California at Berkeley
(1983)

SUBMITTED TO THE DEPARTMENT OF URBAN STUDIES AND PLANNING
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ABSTRACT

This thesis analyzes development strategies for 70 acres of land in Los Angeles, California. The two sites, separately owned, provide an excellent opportunity for development. The site was selected for study because of its unique position in downtown Los Angeles, the historical status of the two main structures, and the potential to rejuvenate an area that has badly deteriorated.

Development is constrained by plans for a subway which will run through the LAUPT site, forcing phased development to begin on the southernmost and northernmost portions of the site. Furthermore development must await the City Planning Commission's designation, resolving a discrepancy between existing zoning and the Community Plan. An additional constraint is the adjacent area, currently characterized by 40 permanent residents who sleep in the park regularly. Income levels in the immediate vicinity are below \$10,000 but reach \$14,000 in a 2.5 mile radius from the site.

Having reviewed potential mixed-use combinations, the preferred development program on the LAUPT site includes, 260,000 square feet of Specialty/Tourist retail, 750 Tourist and Business Hotel rooms, 80,000 square feet to include the transportation infrastructure, a museum, night clubs, and entertainment oriented retail, and finally, 3,200,000 square feet of mid and high rise offices. This 4 phase development program will take 28 years to build out and will total nearly 4 million square feet. The preferred development program for the USPS site includes a 400 room hotel with 50,000 square feet of conferencing, a 300,000 square foot Trade Center, 1,200,000 square feet of mid and high rise office buildings, and 300,000 square feet of secondary office space. This will take 20 years to build out in 4 phases and will total approximately 2 million square feet.

It is the interaction between the mix of uses on both sites which will assure the ultimate success of the two development programs. The design of the two projects will encourage interaction by allowing movement on three levels. Further enhancing the activity level at the new development will be the transportation component with Metro-rail, Amtrak, Trailways, DASH and the El Monte Bus line. The proposed development and the combined mix of uses will enable the LAUPT/USPS site to become a focal point and downtown destination for all of Los Angeles County.

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INTRODUCTION

EVALUATION OF DEVELOPMENT OPPORTUNITIES AND CONSTRAINTS

This thesis will first analyze the specific opportunities and constraints existing on the Los Angeles Union Passenger Terminal and United States Postal Services sites in order to establish an appropriate framework for the further analysis and development of the properties. The properties are described physically with special attention given to those uses currently in effect and those which will be required in the future. Locational attributes are considered followed by an examination of the objectives and expectations of those directly involved with the LAUPT/USPS site. A discussion of Community concerns and issues will attempt to assess each group's individual relationship with the LAUPT/USPS site. Finally, we will review the regulatory issues, including the zoning and Community Plan Designations and the implications of the property's historic status.

Current market conditions are analyzed, including overviews of the adjacent areas and major trends which will influence development of the area. Demographics, employment figures, and income levels are examined to determine existing and forecasted market support and development trends and opportunities. With this analysis complete, land uses with the best potential for inclusion in a mixed-use project on the LAUPT/USPS site are studied. Throughout the analysis of the individual land uses, the potential interaction between these uses is interpreted and evaluated from a broader mixed-use perspective. Finally alternative development programs specify, a mix of land uses, phasing, locational and physical requirements, as well as the targeted market position of the development.

PHYSICAL OVERVIEW

Property Description - Union Station Site

The railroad companies own approximately 50 acres on the parcel of which Union Station depot and facilities occupies 13.3 acres. The Union Station passenger terminal is a long, one and two story building. Most of the construction in the terminal building is reinforced concrete, although there are steel beams, disguised as wood, in both the ticket and waiting areas. The building consists of a series of tile roofed rooms and arcades in varying proportions. The larger and taller of these are near the center. The other rooms taper down towards the two ends. There is a basement area which is used for car parking (120 spaces) and mechanical space. Some of the space which was originally used for storage is not being used.

The first floor consists of large ticket and waiting rooms, restrooms, and a large art deco restaurant. The ticket and waiting rooms and the restaurant are the most public part of the building and give the building its image from Alameda Street.

There are two courtyards, one on the north side and one on the south side of the waiting room. Beyond these courtyards there are service areas on both the north and south ends of the property. Within these areas are truck ramps which give access to the second level driveway. Behind the station at grade are a baggage handling area and a mechanical equipment room.

At grade is a truck-height concrete platform, built on fill, 60 feet wide and 800 feet long, with a steel shed-type roof. The platform is open to the tracks on the east side and is flanked by a row of industrial type overhead doors along the west side. At each end of the platform is a two-story flatroofed office building of concrete construction. East of this main platform are pedestrian islands which separate the railroad tracks and are accessible through an underground tunnel. At this same level is a steel structure built in 1952 with no garage doors remaining. The first bay on the southern side of this building will be removed for Caltrans construction.

On the easternmost side of the property is a small building used for train testing. Further to the north is an interlocking tower where the railroad operator changes switches. This tower will be outdated when the railroads change from electro-pneumatic to fully electric switching.

The Union Terminal site is served by utilities located under Alameda Street. Water, gas and fuel oil lines enter the building from Alameda Street. There is a pipe tunnel which runs parallel to the passenger tunnel and delivers utilities from the terminal building to the track area to the east. The terminal area drains toward Alameda and Macy Streets.

Current Uses, Future Requirements - Union Station

Currently, Amtrak has a lease with LAUPT for about 50% of the terminal building and track area. The Amtrak lease expires December 31, 1986, and no extensions will be granted. A new lease is being negotiated which will make Amtrak a triple-net lessee without the right to sub-lease. SFPRC will enter into separate leasing arrangements with the other principal users of the property such as Trailways, RTD, and Allright parking.

Amtrak and Trailways have ticketing counters in the main hall of the terminal building. These ticketing counters can be relocated on the site, toward the rear of the existing terminal. The owners of the site would prefer to relocate these ticketing and waiting facilities in order to create a more appropriate, efficient and economical use of the Grand Union Station lobbies. Amtrak has indicated that they would prefer to have the ticketing operation closer to baggage handling and train boarding areas. The main hall contains the original wooden seating in waiting areas and is used by both Amtrak and Trailways customers.

Amtrak leases eleven tracks (numbers 5 - 12) and foresees maintaining that number for passenger rail service. The remaining unused tracks were removed in 1965 to avoid railroad infrastructure taxes and maintenance expenses. There may be, however, additional track requirements if SFPRC is successful in promoting light rail transit systems using existing railroad corridors that may become available after the merger of the SPT Co. and AT&SF Railway. There are no current plans for air rights use of tracks and SFPRC can furnish minimum clearances and other specifications for development above the tracks at a later date.

Trailways utilizes the southern plaza area as a passenger pick up and drop off area. There is surface parking for approximately 625 cars in lots in front of and to the north of the main terminal building used by both Amtrak and Trailways customers. There are also 120 covered parking spaces in the basement of the terminal building.

Caltrans has condemned 1.8 acres on the southern edge of the site to extend the San Bernadino busway into the downtown area improving accessibility to the central business district. This right-of-way is currently under construction and is scheduled for completion in December, 1987. The right-of-way will move the property line back, cutting off two bays of the railway express garage building and one bay of the office structure at the southern end of the platform. Caltrans will reconstruct the wall along Highway 101 and the sides of the buildings which will be removed during construction.

DASH, a downtown circulator bus under private contract to the city, stops at Union Station, six days a week, in 5, 8, and 10 minute intervals. DASH runs from Union Station north through Chinatown as far as Bernard Street. Its southern route runs by the Federal building, through Little Tokyo along First Street, down Flower, past the World Trade Center and its farthest stop is at Transamerica Center on 12th Street. This service is a 3 year demonstration project scheduled to continue through October, 1988.

The Southern California Rapid Transit District (SCRTD) has plans for a subway line originating at Union Station, which would cut diagonally through the northeast sector of the site. The line would run 18 miles, from Union Station, through the downtown area, along Wilshire Blvd. to the Miracle Mile area, through Hollywood and terminate in North Hollywood. Preliminary studies have been prepared, including a "Metro Rail Benefit Assessment Study" in February, 1985. This study identified the potential for existing owners along the proposed route to share in the costs of building the metro rail through an assessment district. Plans are indefinite at the time of this study, due to funding uncertainties but must be considered in defining development alternatives.

Property Description - United States Post Office Site

The United States government owns approximately 21 acres at the intersection of Macy and Alameda in Old Los Angeles. Macy Street separates the Terminal Annex facility from the Union Station Terminal. The terminal annex building is one block northeast of El Pueblo de Los Angeles State Historic Park and southeast of Chinatown. The building is currently the major downtown postal processing facility, employing approximately 1,000 persons.

The Terminal Annex building contains 581,545 square feet of leasable space on four floors. There is a basement level floor which at the southeast end has windows facing Macy Street. The original building has 18 foot ceilings and the floor plate, 188 by 524 feet, is approximately 98,500 square feet. This floor plate is too large for potential office or retail uses but could be renovated with an interior atrium. The north wing, added in 1960, contains 201,000 gross square feet, on four floors. There are ten elevators within the main buildings and two in the later addition. The roof of the building used to be a helicopter landing field for mail service from airports. At the eastern edge of the building the Post Office site meets the railroad site. This was formerly used for pick up and delivery of mail. This connection may be an additional area for linking to the development on the Union Station site.

In the corridor on the ground floor are murals, dating from 1943-44, depicting science, discovery, industry, technology and history. These murals, representing the history of Central America and California, are identified on the National Register of Historic Places and therefore, must remain.

Also on site is a loading area, grade parking for 66 cars and a large three-story parking structure accommodating 600 cars. At the northern edge of the site is a credit union building and a fire station, which must remain. There is a large open area behind the 1960 addition to the Terminal Annex building, used for bringing trucks to the loading docks.

Current Uses, Future Requirements - United States Post Office

The United States Post Office is currently utilizing the entire Post Office Terminal Annex including parking lots, loading docks and access points. The Terminal Annex building basement is primarily occupied by

mechanical systems, but some of the floor area is used for repairs, maintenance and administrative functions. There is a conveyor tunnel which runs along the exterior wall of the annex addition for transporting packages from bays to the floors above. Also at this level are men and women's locker rooms.

The ground floor of the original building is predominantly administrative with post office boxes for the public on the south side of the building and public service windows on the west side. The ground floor of the addition is used for mail-handling and has mail platform docks on the west side of the building. The Post Office would prefer to remain on this floor. The second floor has a cafeteria facility and administrative offices, isolated from the rest of the open working area. The third and fourth floors are currently used for mail-processing and contain mechanized mail-sorting equipment in large open areas.

The Post Office plans to move this facility by 1989 and foresees keeping a 40,000 square foot satellite Post Office on site. They will need 80 customer parking spaces, 90 spaces for employees and 35 spaces for delivery jeeps. This remaining retail operation will also require use of 14 loading docks (ten at 30 inches and four at 50 inches).

LOCATIONAL ATTRIBUTES:

Views, Access and Visibility

The LAUPT/USPS site are strategically located on Alameda Street across from El Pueblo de Los Angeles and Chinatown, and walking distance from Civic Center and Little Tokyo. The positioning of these properties on the periphery of the Central Business District contributes to the site's potential as well. The sites are bounded on the east by the Piper Technical Center, a SCRTD maintenance facility, County Jail/Court and the Los Angeles River.

The sites are easily accessed from Highway 101 to the south and the Pasadena freeway to the north. The Union Terminal site is accessible by automobile, bus and intercity rail service. The south side of the Union Terminal site abuts Highway 101 and is visible from across 101, traveling

north on Alameda St. The sites can also be viewed from the Civic Center to the west and from certain sections of El Pueblo de Los Angeles and Chinatown to the northwest.

From both sites there are views of downtown to the west, Dodger Stadium to the north, and General Hospital to the east. The connection between the Union Station terminal site and the Postal Service site is at the rear of the Post Office beyond the Macy Street Bridge. Macy Street is a busy four-lane road which separates the two sites. Crossing the street usually requires walking to the intersection of Macy and Alameda.

Directly south of the LAUPT site, across the Santa Ana Freeway, is a sector of land north of Temple Street and bounded by Alameda Street to the west and the Los Angeles River to the east. It appears that this area is almost totally industrial in character, and is characterized by some substantial open spaces, most notably government maintenance yards. The area along the eastern boundary of this sector is the location of several food processing plants along the rail line. To the east of this sector is the vacant Maier Brewery.

DEVELOPMENT OBJECTIVES AND EXPECTATIONS

Los Angeles Union Passenger Terminal (LAUPT)

The Los Angeles Union Passenger Terminal is owned jointly by the three operating railroad companies in the following percentages of undivided interest: Southern Pacific Transportation Company-44%, Atchison, Topeka and Santa Fe Railway Company-33%, Union Pacific Railroad Company-23%. Santa Fe Pacific Realty Corporation (SFPRC) is acting as an agent for the Southern Pacific and Santa Fe.

In order to establish appropriate land values for a proposed public acquisition in 1981, the railroads hired The Luckman Partnership, an architectural firm, to prepare a high density development scheme. The scheme included 3,127,000 square feet of office in 6 towers ranging in height from 24 to 60 stories. Additionally, the plan included 225,000 square feet of retail, one 16 story hotel with 500 rooms and one 24 story hotel with 350 rooms, both totalling 600,000 square feet. The hotels were to be clustered close to the existing terminal building to take advantage of the lobby areas. The offices were to the rear of the site linked by an

underground tunnel of retail uses. This scheme, totalling approximately 5 million square feet, valued the property at \$86.5 million, making the site unrealistic for taking by the City under eminent domain.

The railroads and their development subsidiaries remain interested in completing the redevelopment of the site and have access to an in-house development team of 300 persons. SFPRC intends to build, manage and retain ownership of the property as a major downtown activity center and transportation hub.

The railroad will evaluate the development of the site based on a 15% Internal Rate of Return after taxes. According to SFPRC, to determine IRR, the following should be factored, a) Establish market value of property (fictitious sale) less transaction costs, b) subtract book value (will be provided at a later date), c) from total taxable gain on sale subtract 32.2% (capital gains tax rate) to determine after tax cash, d) add book value to determine site value for purposes of analysis. It is uncertain at this time, given the potential high cost of developing the property, how much will be financed with cash and how much additional outside financing will be sought. It is also possible that a partnership or joint venture could be formed with a special purpose developer for a hotel or specialty retail component.

Based on the surrounding land uses, as well as major transportation and mixed commercial development opportunities, SFPRC does not believe that a residential use is viable on this property. They do believe, however, by promoting LAUPT as the transportation hub for the region that LAUPT offers excellent locational advantage for the following uses:

- 1) A specialty retail center using the existing terminal buildings, courtyards and certain additional space nearby.
- 2) Hotel(s) that could relate in scale and architectural detail to the existing terminal building; one which might serve a moderate price range, and the other serving an upper-end price range. Hotel facilities could have lobby and ground level retail including restaurants and shops which would tie into the theme related retail spaces of the terminal.
- 3) They feel very strongly that there is excellent potential to develop major office (as CBD backup) and related retail space in or above the track area. This development, which would be oriented towards the easterly end of the property, would present a gateway to the CBD and provide excellent freeway access and parking.
- 4) Interim and permanent peripheral parking which might serve the CBD during the day and on-site retail and restaurants during the evenings and weekends, should be considered.

United States Postal Service

The United States Postal facility was completed in 1938 and placed on the National Register in 1983. The USPS will need to maintain an office in the existing building, occupying 40,000 square feet of the 700,000 square feet currently existing. The remainder of the building will be vacated in the spring of 1989 and will be available for lease at that time.

The USPS plans to lease the land and buildings for private development. Developers would be solicited through a public request for proposals. The goal of the Post Office is to structure a ground lease that combines a minimum base rent plus a potential share of project cash flows to generate a Net Present Value discounted at 10-12% that is greater than the current market value of the property.

It is apparent, each property has independent economic objectives to be addressed in an attempt to make the overall plan feasible and functionally consistent. Acceptable and complimentary development programs must be generated for both the USPS and LAUPT parcels which establish the highest and best use for the sites and allow each to be economically viable and independently developed and operated. Although it is essential to maintain this economic independence, it must be recognized that the value created on the properties is very interdependent and the owners share a common goal and capacity for generating this increased value in the Union Station area.

Community Redevelopment Agency

The Community Redevelopment Agency would like to establish the appropriate mix of uses and density on the site, thus resolving the land use discrepancy between the existing zoning and the community plan prepared in 1980. The CRA's goals include unifying the surrounding neighborhoods through the development of a distinctive center, attractive and integral to the adjacent uses. It will be important to show sensitivity to the existing neighborhoods and merchants, building upon and adding to these established cultural centers.

The proposed redevelopment should define the regional role of the site in the greater Los Angeles area. The CRA envisions the Union Station project as a visual and functional connection in the area's infrastructure which will act as a destination point for residents and visitors alike.

COMMUNITY ISSUES AND GROUPS

The information gathered through various interviews helped clarify the problems to be addressed for the LAUPT/USPS site. The key to a successful development program is based on identifying areas of mutual interest, then creating projects that will enjoy both market support and the support of interested public and private stakeholders.

All respondents are supportive of the development of the site provided that the historical character of the Union Station and the Terminal Annex is preserved. The development projects on the site should not compete (either on theme or specific uses) but complement and enhance the surrounding commercial environment in Little Tokyo, Chinatown and El Pueblo Park as well as the CBD. Parking is limited in the three surrounding commercial centers, therefore, the LAUPT/USPS development should include sufficient affordable parking for future visitors and employees.

Summary of Interviews:

Ruthanne Lehrer, Executive Director, Los Angeles Conservancy Union Station Site:

- 1) New development at this site should have appropriate scale, character, distribution of mass with respect to the historic features of the Union Station building.
- 2) Harmony should be emphasized and distinction between the new and old explored in a manner that the new features of the development does not masquerade as the old.
- 3) No overpowering high-rise towers with glass exteriors should be developed which will diminish the architectural and visual importance and uniqueness of this building.
- 4) Union Station should be the focal point of the total development not the Terminal Annex or USPS site.
- 5) The Fred Harvey Restaurant should be restored with historical accuracy.

Terminal Annex:

- 1) A new use for this building should be studied and the existing Post Office operations should be located somewhere on the site.
- 2) The marble, lamp fixtures, murals and exterior facade should be retained and enhanced.
- 3) Ms. Lehrer expressed interest in the public providing input in the review of alternative development concepts.

Martin Lee, Chairman, Chinatown Community Advisory Committee:

- 1) Chinatown should not become another transportation corridor or passage route (as in the case of Hill Street) to the LAUPT/USPS development.
- 2) The LAUPT/USPS development should be pedestrian oriented as well as be linked and integrated with Chinatown; Alameda is a significant physical and visual barrier. Over/underpasses should be explored to reduce the impact of Alameda as a barrier.
- 3) The uses that should be studied for this site are office, housing, an international trade center similar to the one in Taiwan, an international museum and an R&D facility; the downtown hotel market is not strong enough to support another hotel development.
- 4) Ample parking should be provided at the site for business operations/employees and visitors in order not to use the limited parking in Chinatown.

Vivian DeBonzo, President, Olvera Street Merchants Association:

- 1) The LAUPT/USPS development would increase visitor traffic tremendously to Olvera Street.
- 2) Parking is a major concern and it is limited and discourages visitors to either come or stay longer.
- 3) Uses such as parking, offices, a hotel, housing and a museum should be reviewed; all of these uses would increase the size of the market likely to use Olvera Street and the LAUPT/USPS development.
- 4) A bill is being sponsored to create and identify a location for the First Latino History Museum. Olvera Street is being considered as one site but there may not be sufficient space.
- 5) The Association is in the process of negotiating with a real estate consultant to further develop and manage Olvera Street's commercial activities.

Jerry Smart, Park Director, Department of Recreation and Parks, City of Los Angeles:

- 1) A parking structure should be developed away from the immediate site in cooperation with the City, the owners of the LAUPT/USPS site and private property owners. The structure would be used by tenants and employees only. This would allow the existing and future parking to serve visitors to the El Pueblo and Union Station locations. A shuttle system should be established to transport tenants and employees to and from the site.
- 2) The issue of the impact due to the presence of "street people" in El Pueblo and the surrounding area, will need to be recognized although no immediate solution is at hand.
- 3) The LAUPT/USPS site could be used for the relocation of the Children's Museum, displaying numerous collections of small model (table top) trains similar to the one in Griffith Park's Travel Town area and an elegant nightclub.
- 4) There should be a physical connection between the properties on both sides of Alameda. Perhaps an over/underpass or depressing Alameda may be the answer.
- 5) The idea of an international trade center is possible but the market support for this type of development needs to be thoroughly examined.
- 6) Should the site include a museum component, a portion of the space should be donated or leased to the State of California to insure historical accuracy and to take advantage of the State's expertise in

creating many types of museums throughout the State. Also, this would avoid the gimmicky/promotional-intensive approach frequently used by private museum operators.

Kenzo Okubo, Planning Chairman, Little Tokyo Community Advisory Committee:

- 1) Alameda is perceived as a physical barrier but also as an opportunity for a transitional/buffer zone between El Pueblo, Chinatown and Little Tokyo and the LAUPT/USPS development.
- 2) A diversity of commercial uses should be offered at the site in order to serve new target markets not "take away" customers from an already served market. This would be detrimental to all areas surrounding the LAUPT/USPS site.
- 3) A theme for the development should reflect the rich, multi-cultural heritage of Southern California's ethnic population.
- 4) There is no short-term solution to the "street people" problem but believes that the targeting, the housing and the policing of this population (as is being done by CRA) is perhaps the best that can be done for now.
- 5) Any type of development (he believes) would be supported by the Little Tokyo community only if (a) it is well and completely thought out, (b) is market and financially feasible and (c) the community is provided with the opportunity to initiate and review development concepts.

Tony Blomert/Pam Williams, Central City Association:

- 1) The LAUPT site is being considered as a peripheral parking site as well as a regional transit depot. The site has been identified as a station stop should Metro Rail be built. Should this not be the case, a substitute transit system will be developed and will use part of the site as a transit stop.
- 2) The idea of an international trade center should be extensively examined. The center should include financially-oriented activities and office space for foreign embassies/consultants. The center would serve as a secondary facility to deal with Pacific Rim countries.
- 3) El Pueblo development should be expanded and heavily promoted to serve the Hispanic population similar to the way Little Tokyo serves the Japanese and Chinatown the Chinese.
- 4) The uses that should be explored for the LAUPT/USPS site include a festival market place, an international trade center, a transit center, and a high tech R&D park. Housing may not be feasible since the CRA is promoting residential development in South Park and major office development would be too far away from the financial/legal core of the CBD (although smaller, emerging businesses may be prime tenants) and numerous entertainment/museum facilities are being developed in Bunker Hill and Spring Street.

Ed Cheetham, Board Member, Railway and Locomotive Historical Society, Inc.:

- 1) The Society has a potential collection of: 10-12 locomotives (using two tracks approximately two blocks long), numerous railroad cars, one red car, the Santa Fe Station building constructed in Arcadia in 1895, photographs, motion pictures, slides, memorabilia and toy trains.
- 2) The collection is currently housed at the County Fairgrounds and at homes of the society members.
- 3) The creation of a railroad museum, similar to the one in Old Towne Sacramento, is their ideal development concept.

4)The Society is seeking a permanent site for their collection and would be interested in locating at or adjacent to the Union Station.

Don Spivack, Senior Project Manager, CBD Redevelopment Project, Staff to CRA Central City Task Force and the Citywide Advisory Committee

1)The development of the LAUPT/USPS site should include: a festival retail component, a small museum emphasizing the railroad history of Los Angeles, some office space oriented to serve a specialized market, i.e., small emerging businesses in the legal, accounting, architecture and advertising professions; residential and hotel uses should be explored.

2)The international trade center concept has failed to materialize twice and the so called World Trade Center building in Bunker Hill has not been perceived or used as such. Therefore, the concept may not be realistic for inclusion in this site.

3)The Century City development concept should be examined. Hotel and residential uses with support office and retail may have some applicability to this effort.

4)The development of the site should not include a self-contained office center, otherwise it will compete with CBD and surrounding office development. This will make the CBD's office market less competitive.

5)Should the site include a railroad-related development theme, an attraction that would be profitable and unique is a train car(s) that travels short distances (less than a block) back and forth.

LINKAGES TO ADJACENT NEIGHBORHOODS

Chinatown

The Chinatown area is physically and historically linked with the USPS/Terminal Annex site which is located across Alameda Street, just outside the southeast corner of the Chinatown Redevelopment project boundary.

Prior to the building of the Terminal Annex Post Office and Union Station, Chinatown occupied a close-packed area on both sides of Los Angeles and Alameda Streets. It was described as exotic, offering color, gaiety and mystery to visitors and a place and way of life for the Chinese. Most of the Chinese moved north when construction began on the Union Station and Terminal Annex projects.

The Chinatown area today contains over 400,000 square feet of commercial space, oriented primarily to customers of Asian origin, but also drawing from the downtown work force and tourist markets. The residential community is made up of 8,600 people, but only 16% of the 9,700 people who work in Chinatown live there. Of those residents, over 50% have reported annual incomes below \$10,000. Chinatown serves as a "port of entry" for many immigrants attracted by job opportunities and, because of this, residential population has been growing steadily, slightly over 4% annually; since 1970.

Currently, there is limited interaction between the LAUPT/USPS site and Chinatown except in their existing functional roles. Chinatown residents use the transportation facilities at Union Station on occasion and take care of postal service business at the Terminal Annex building. There is potential for increased economic and cultural linkages because of this proximity, but as Martin Lee pointed out, easier pedestrian access is necessary.

In January of 1980, Chinatown adopted the Chinatown Redevelopment project primarily to stimulate the development of housing for low and moderate income persons and also to maintain the area's importance as the cultural and commercial center for the Chinese population of Southern California.

The primary goals and objectives of the project are summarized below and reflect a desire to maintain and develop Chinatown as a balanced and unique community:

- 1) To promote the economic well-being of Chinatown by encouraging the diversification of its commercial base and of employment opportunities.
- 2) To make provisions for housing maximizing the opportunities for individual choice.
- 3) To alleviate overcrowded, substandard housing conditions and to promote the development of affordable housing for low and moderate income households.
- 4) To control unplanned growth by guiding new development to meet the needs of the community.
- 5) To retain by rehabilitation as many existing residents and businesses as possible.
- 6) To encourage the preservation of the varied and distinctive character of the community and to promote the development of the community as a cultural center.
- 7) To make provision for a pedestrian and vehicular circulation system coordinated with land uses and densities and adequate to accommodate traffic.
- 8) To encourage the cooperation and participation of residents, business persons, public agencies and community organizations in the revitalization of the area.
- 9) To promote the development of local job opportunities.
- 10) To improve the visual environment of the community and in particular to strengthen and enhance its image and identity.
- 11) To encourage the preservation of historical monuments, landmarks and buildings.

El Pueblo de Los Angeles State Historic Park

Directly across from Union Station is Olvera Street, Plaza Park, Plaza Church and the Pico-Garnier Block. The Plaza Church serves as a regional landmark for the Hispanic community and is filled to capacity during mass. While the Hispanic community identifies with El Pueblo, the main Hispanic commercial district is on Broadway between 2nd and 9th, approximately 5 blocks from the LAUPT/USPS site.

El Pueblo is the dominant area linkage for the LAUPT/USPS sites because of the architectural, cultural and historical connections. Architecturally, the plaza areas and renovated buildings predate Union Station and Terminal Annex, but the design orientation of both is Spanish-Moorish. In terms of cultural heritage, El Pueblo represents the founding, growth and evolution of Los Angeles.

Olvera Street is the largest tourist attraction in the area with estimated visitor counts ranging from 1.5 - 2.5 million annually. Support also comes from the downtown work force, especially Civic Center employees and Los Angeles area residents. Olvera Street offers Mexican souvenirs and gifts in a typical Mexican style market place.

The success of El Pueblo would be enhanced through development of the LAUPT/USPS sites because of increased visitor and activity levels. Currently, Union Station is visited by those who must use one of the transportation modes, but it is not seen as a center stage attraction. These circumstances are further emphasized in the USPS site. But the potential for a linkage between Olvera Street and the USPS site is good because of the angle at which Olvera Street is positioned. If an imaginary line was continued down Olvera Street, across the Macy/Alameda intersection, visitors would find themselves on the USPS site.

Pico-Garnier and Antique blocks are the most recent examples of potential for historic renovation for reuse as mixed-use developments in the El Pueblo area. Unfortunately, the Pico-Garnier and antique blocks have not been successful in attracting tenants.

The Olvera Street Merchants Association is in the process of exploring ways to further develop and manage their commercial activities. The merchant's goal is to increase the number of parking spaces for El Pueblo, thus encouraging people to visit more frequently and for longer

periods of time. The merchants are concerned that with further development in the area their lease rates, originated years ago and considerably below market, may increase substantially.

Little Tokyo

Little Tokyo is located three to four blocks south of the LAUPT/USPS sites. It is here in Los Angeles and other cities of southern California that the largest concentration of Japanese-Americans on the mainland live. Though Japanese-American communities number about 15 in Southern California, Little Tokyo is considered the cultural, religious, commercial and social hub.

Little Tokyo is not physically linked to either the LAUPT or USPS sites but because of Little Tokyo's planning oriented redevelopment agency, the Japanese community must be addressed. They are concerned with any new development which may take away clientele from their existing cultural center but do recognize the potential in creating a multi-cultural attraction on the LAUPT/USPS sites.

Little Tokyo contains roughly 275,000 square feet of commercial uses and, like Chinatown, is also oriented primarily toward customers of Asian origin. However, Little Tokyo draws more heavily from the tourist and work force markets than does Chinatown.

With the completion of such projects as the Japanese Village Plaza, the New Otani Hotel, Weller Court and other smaller developments in the area, Little Tokyo is beginning to capture international and domestic tourists. The specialty retail stores seem to attract local employees and residents as well as tourists. The Japanese Village Plaza's theme of "spending a day in Japan without leaving Los Angeles" focuses on Japanese specialty shops/restaurants and does extremely well, as there have been only two turnovers since its inception seven years ago. Consequently, with the proper promotion and further developments, this area could attract a more substantial tourist and resident market.

In the 1960's, fear in being taken over by the Civic Center's eastward expansion, led a group of citizens to form the Little Tokyo Redevelopment Association. Originally, the Association was concerned with stimulating controlled development and renovating blighted areas.

Years of redevelopment did yield completed projects including subsidized housing, religious institutions, a cultural and community center, theater, shopping centers and a major hotel. The Little Tokyo Redevelopment Project is considered one of the most successful redevelopment projects in the nation.

Recently some have expressed the notion that perhaps the community scale should be controlled. Growth and development still seem to be a unanimous goal but the definitions are beginning to tighten. There is widespread support for the rehabilitation and preservation of the northside of First Street. Redevelopment seems to be generally supported but the mandate for unlimited growth may be changing.

Central Business District

The Central Business District is located southwest of the LAUPT/USPS sites. Current connections to these sites are limited with the exception of those professionals who commute by train or utilize DASH during the lunch hour. There are complaints though because of the length of time it takes to reach the Central Business District by public transportation. Amtrak does have excellent ridership on their San Diego-Los Angeles route, especially on weekends and during commute hours.

There seems to be occasional visitation by the Central Business District employees to the other areas, such as Little Tokyo and Chinatown, mostly for food or tourist related trips. There is potential for drawing on Central Business District employees if a destination attraction can be established, either business related or tourist oriented. A circulator bus needs to connect the two areas for ease of transition.

The Central Business District has had a redevelopment plan since 1975. The Community Redevelopment Agency prepared the plan with the following goals and objectives in mind:

- 1) To assist in the development of downtown as a major center for the Los Angeles metropolitan region, within the context of the Los Angeles General Plan as envisioned by the concept and City-wide Plan portions thereof.

- 2) To create a climate which will prepare Central City to accept that share of anticipated regional growth which is economically and functionally attracted to it.

- 3) To organize growth and change, to reinforce viable functions, and to facilitate the renewal or rehabilitation of deteriorated and under-utilized areas.

- 4) To create a modern, efficient and balanced urban environment for people, including a full range of around-the-clock activities and uses, such as recreation and housing.

5)To provide an integrated transportation system which will allow for efficient movement of people and goods while enhancing the environment, giving special attention to separation of the pedestrian and the automobile.

6)To achieve excellence in design, based on how Central City is to be used by people, giving emphasis to parks, green spaces, street trees and places designed for walking and sitting.

7)To preserve key landmarks which highlight the history and unique character of the City - blend old and new in an aesthetic realization of change or growth with distinction.

8)To provide a full range of employment opportunities for persons of all income levels.

9)To provide high and medium density housing close to employment and available to all ethnic and social groups and to make an appropriate share of the City's low and moderate income housing available to residents of the area.

10)To provide the public services necessary to the solution of the various social, medical and economic problems of Central City residents, especially the Skid Row population.

11)To establish an atmosphere of cooperation among business, special interest groups and public agencies in the implementation of this Plan.

Civic Center

Located within the Central Business District Redevelopment Project Boundary, Civic Center is located across the Santa Ana Freeway from the LAUPT/USPS sites. The Civic Center contains most of the 45,000 city, county and federal employees in the downtown area. Within this Civic Center area is also the Children's Museum, the Los Angeles Music Center and the LA Mall, serving the lunch hour retail and restaurant needs of government employees. Some government employees go to adjacent Olvera Street and/or Little Tokyo for lunch.

On a 6.9 acre parcel next to the Federal Building, there are plans by the General Services Administration to build a Federal Center. This center would include 560,000 square feet of office and courthouse space, 200,000 square feet for a drug-related veterans outpatient clinic, and 175,000 square feet for a federal detention facility which will hold Federal Prisoners awaiting trial. This project would be directly across from the LAUPT site to the southwest and could bring in 1,100 new employees to the area. 3,800 employees will be transferred from existing offices within the Civic Center. Construction begins next month and completion is expected by 1989-90.

REGULATORY ISSUES

Existing Zoning and Community Plan Designation

The LAUPT/USPS properties currently lie within M3-4 and M3-2 zoning districts. These designations permit heavy industrial uses, and all commercial uses but do not permit housing or hotel facilities. There is no height limit on either parcel.

Most of the LAUPT property including the track area up to about 200 feet north of Macy Street is within the M3 district and in Height District 4. This designation permits development of a maximum floor area of thirteen times the buildable area of the property or approximately 26 million square feet. The remaining eastern area near Vignes Street is within the M3-2 district which permits development of a maximum floor area of six times the area of the property, or approximately 523,000 square feet. In total, the LAUPT could handle approximately 26.5 million square feet of development in its current zoning..

The USPS property is zoned M-3 and falls within Height District 2 and 4. This designation permits development of a maximum floor area of six times the area of the property in the areas surrounding the terminal annex for an approximate total of 3.9 million square feet.. The terminal annex building is located on land within the Height District 4 classification, allowing 13 times the area of that particular section of property or approximately 2.8 million square feet. In total then, the USPS site could handle approximately 6.7 million square feet of development in its current zoning.

The Civic Center North Community Plan was prepared by the City Planning Department and was adopted by the City Council in February 1979. The plan recommends that the LAUPT/USPS properties be designated for government support and public uses, similar to that of the Civic Center area. Additional changes would be required to allow hotel and residential uses. The 1981 Central City North Community Plan describes Union Station as an "under utilized facility which is proposed to be redeveloped to accommodate tourist-oriented commercial and cultural facilities and a transportation center combining a wide variety of rail and bus services." There appears to be some inconsistency in the objectives of the Civic Center North Community plan and the existing zoning and height districts.

It is the goal of the Community Redevelopment Agency in cooperation with the City Planning Department, to resolve this use designation discrepancy by March, 1987.

Historical Implications

LAUPT site:

The Union Passenger Terminal building and the property extending as far eastward as the first set of existing tracks has been designated by the Los Angeles Cultural Heritage Board as Historic-Cultural Monument No. 101 in 1972. The terminal building and the landscaped grounds are emphasized in the notice of designation.

The State of California nominated the Union Terminal building and the property including the track area to the National Register of Historic Places. The nomination was accepted in November 1980, by the National Park Service. The nomination emphasized as key features the terminal building, the landscaping and courtyard areas and the details such as the outdoor light standards and furniture. The nomination mentioned as contributive features the ramps, the Railway Express storage sheds and offices, the trackage and umbrella sheds over the boarding platforms and the retaining wall adjacent to the freeway.

As background features, the nomination also mentioned the Railway Express garage facility, located on the south side of the property, which was constructed in 1954. LAUPT is currently seeking a permit for the demolition of the Railway Express facilities, offices and tracking facility.

USPS site:

The Los Angeles Terminal Annex Post Office was determined eligible for listing in the National Register on May 24, 1983. The nomination emphasizes the two terra cotta domes, the richly detailed bronze doors, the twelve murals in the lobby and the larger impact the post office has on the urban design of the area. The parking structure, the 1960 addition and the open areas of the parcel are not referred to in the nomination. In January, 1985, the Terminal Annex building was accepted by the National Park Service to the National Register of Historic Places.

Financial Implications Of The Properties Historic Status

Under the current tax law, buildings which are on the National Register of Historic Places may qualify for a 25% investment tax credit (ITC). This provision allows for 25% of the costs of improving the historic structure to be deducted dollar for dollar from an income tax liability. Improvements to the property must represent a substantial rehabilitation defined as improvement costs equalling or exceeding the adjusted basis of the property. If a building qualifies for the 25% ITC, 100% percent of the improvements can still be depreciated over a 19 year period. In order to qualify for the 25% ITC, there are very stringent rules governing the appropriate rehabilitation of both the interior and the exterior of the historic structure.

A 20% ITC is currently available for all structures 40 years or older. Seventy-five percent of the exterior walls must be retained under this provision and the rules governing rehabilitation of interior spaces are considerably more liberal than those specified for the 25% ITC. The same requirements apply for substantial rehabilitation with the cost of improvements equal to or greater than the adjusted basis of the property. The 20% ITC provisions however only allow depreciation of 80% of the cost of improvements.

The proposed federal tax reforms currently being reviewed would substantially alter the financial implications of the historic status of the properties and the associated investment tax credit. Both the House and the Senate proposals contain similar changes to the current ITC laws and the chances of a major tax law similar to those being currently discussed appears very strong at this time.

Under the proposed tax laws, the investment tax credit for properties on the historic register would be reduced from 25% to 20%. The depreciable basis of the property would also be reduced by the amount of the tax credit. All substantial rehabilitation regulations would still apply.

For properties built prior to 1936 but not on the historic register, the ITC would be reduced to 10%. Seventy-five percent of exterior walls would have to be maintained and the basis again would be reduced by the amount of the tax credit.

Depreciation periods are extended from the current 19 years with provisions for accelerated depreciation to thirty-one and one-half years with straight line depreciation for commercial properties. Some residential properties would qualify for a twenty-seven and one-half year depreciation period.

The new tax proposal also reduces the maximum Federal Income Tax rate for individuals to 27%, thereby further reducing the value of depreciation and interest deductions. The top corporate tax rate would be 33%. The investment tax credit however still remains as a dollar for dollar savings against taxes due to the Federal government. Although the ITC is substantially reduced, it remains in the new tax proposal as one of the few substantial tax savings vehicles for historic buildings. Both the Union Station and the U.S. Post Office buildings present a significant opportunity for taking advantage of these substantial tax deductions to help improve the overall economic performance of the project.

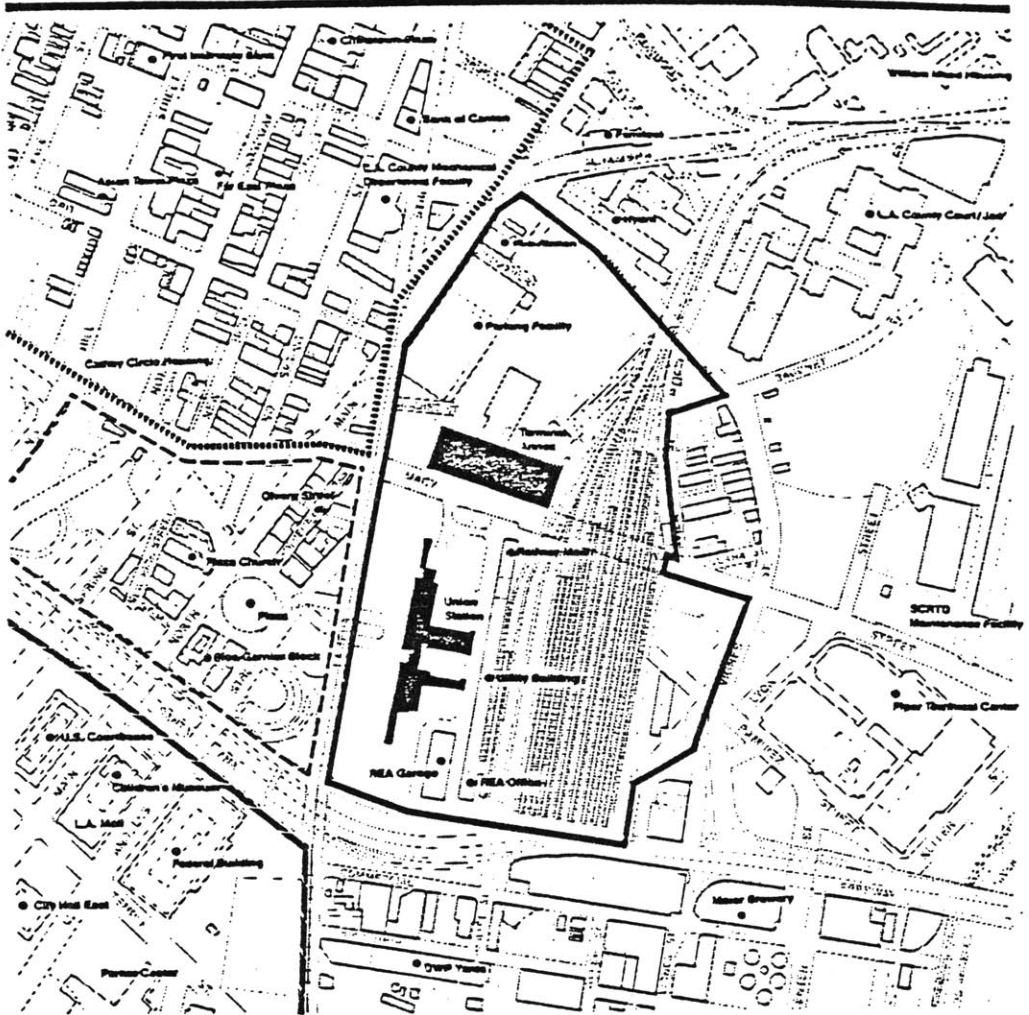
Both the House and Senate Bill revisions to the ITC regulations would take effect in January, 1987. Transition rules would apply to those properties with certain percentage costs expended before January, 1987. Given the time frame for both the Union Station and the Post Office projects, none of these transition rules would apply and all improvements would fall under the new tax law provisions for the ITC.

SUMMARY:

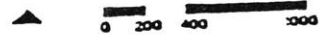
Substantial opportunity exists for the integration and mutual support of surrounding cultural and tourist destinations through specific pedestrian, transportation, promotional and economic linkages. The LAUPT/USPS sites must be economically feasible and independent projects but the value created and economic/market success of the two separate projects is highly inter-dependent and mutually supportive. The grand public spaces of the train station and the deep large floor areas of the Post Office will dictate a limited group of special uses which can take advantage of these apparent physical constraints while necessarily maintaining the historic physical integrity of the buildings. The multi-modal transportation networks converging upon the Union Station site impose severe development and planning limitations but may present an

opportunity to capture increased visitor traffic and strong destination uses. The uniquely large site area combined with this complex integration of transportation uses may provide the opportunity for development of sufficient scale and destination appeal to anchor a part of Los Angeles which is currently experiencing limited development interest and growth.

General Description








- Central Business District Redevelopment Project Boundary
- Chinatown Redevelopment Project Boundary
- El Pueblo
- Union Station Master Plan Area



Building Conditions



-  Under Construction
-  Sound (No repair required)
-  Deferred Maintenance (painting, roofing)
-  Moderate Rehabilitation (one major structure repair)
-  Heavy Rehabilitation (more than one major structure repair)

Union Station Area Master Plan

23b

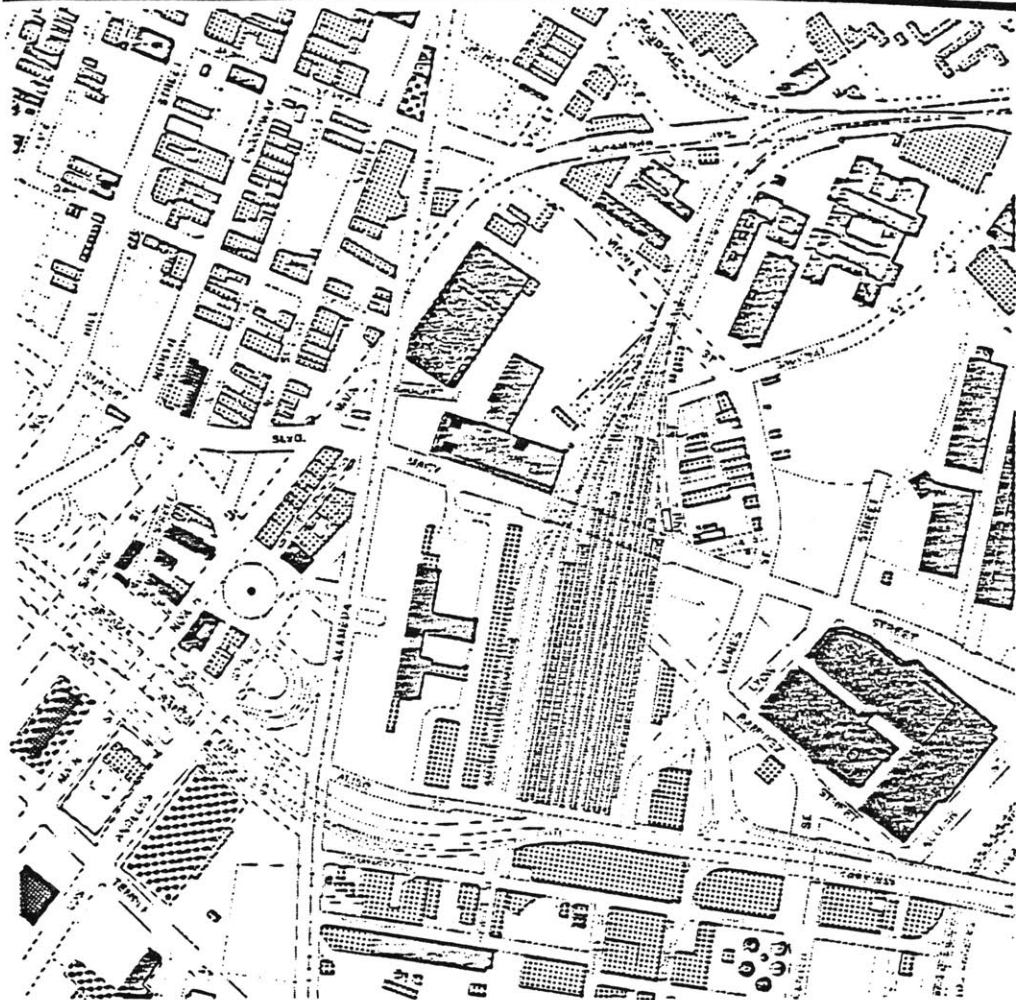
Community Redevelopment Agency

of the City of Los Angeles



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Building Heights



- 1-2 Stories
- 3-5 Stories
- 6-10 Stories
- 11-20 Stories

Union Station Area Master Plan

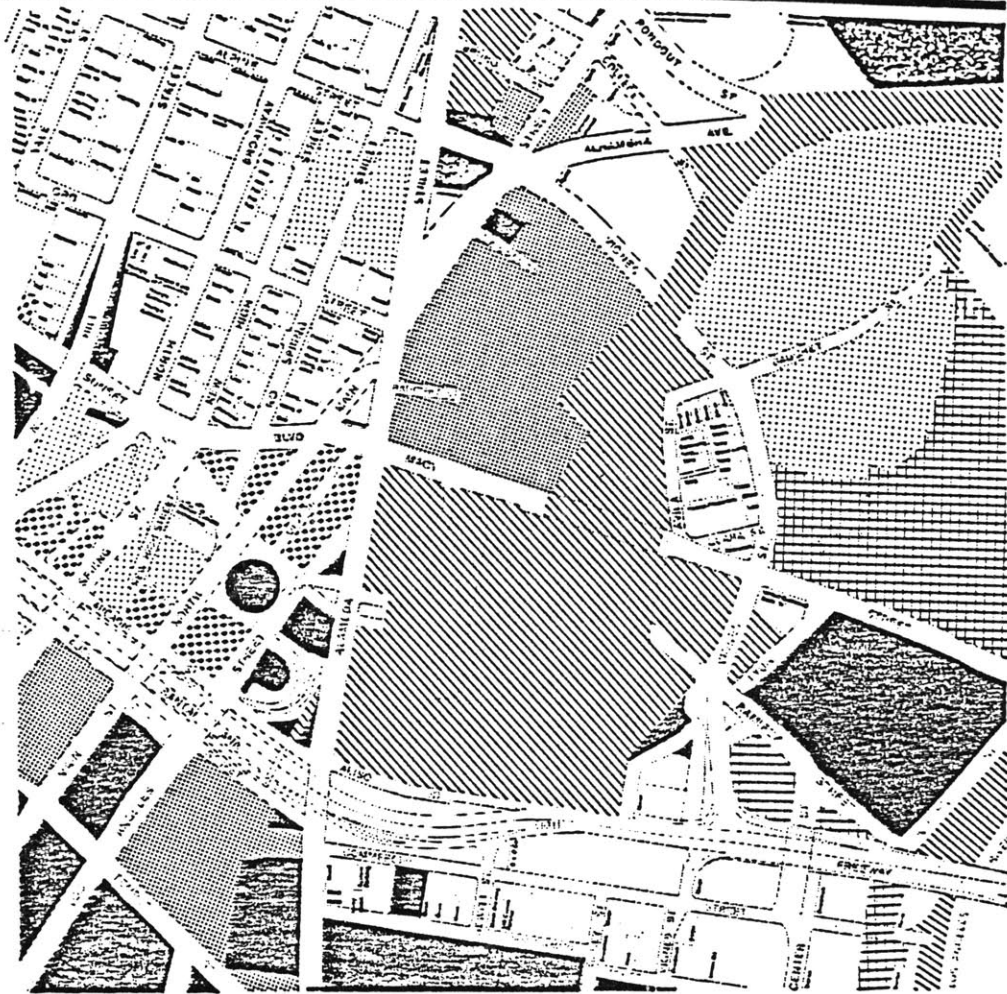
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Community Development Agency

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Land Ownership



-  City
-  County
-  State
-  Federal
-  Railroads
-  SCRTD

Union Station Area Master Plan

Community Redevelopment Agency

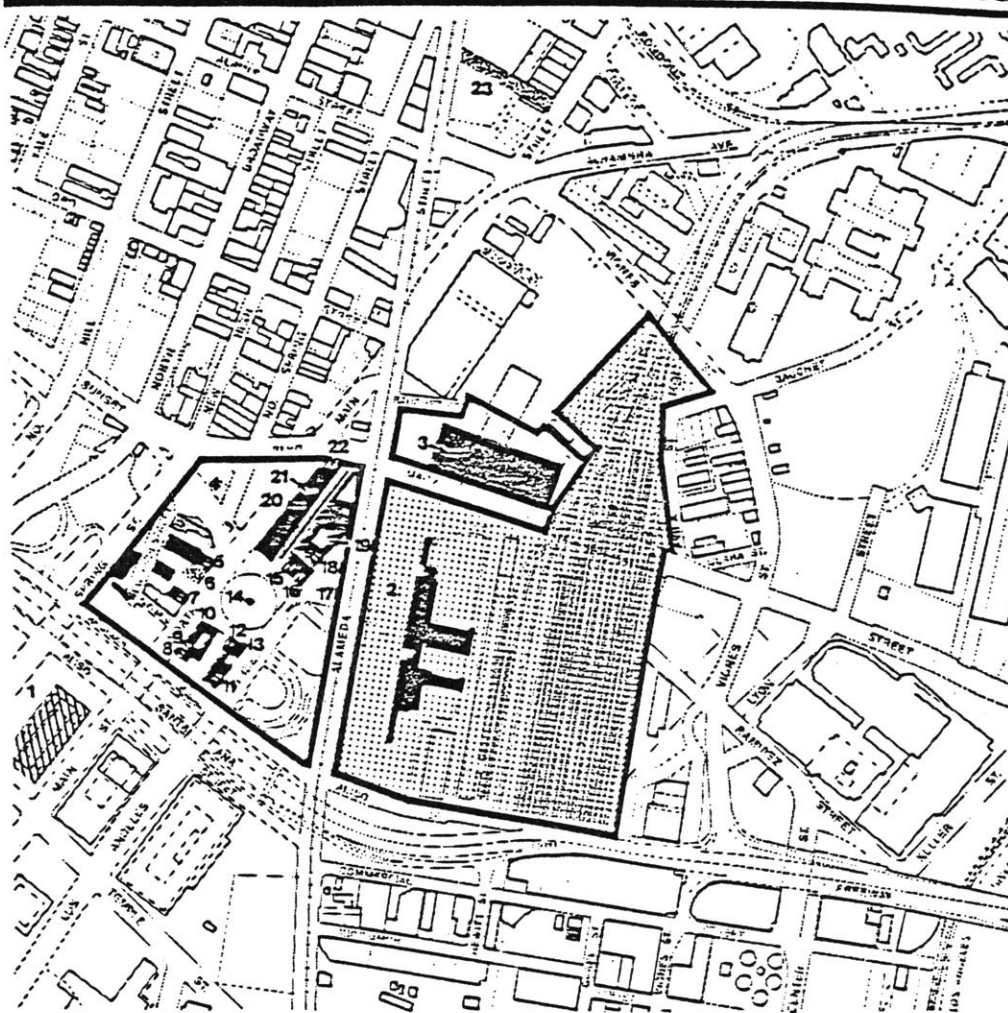
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Historic Resources



- | | | |
|---|-----------------------------------|---------------------|
| 1. US Courthouse | 10. Pico House | 19. Anis Adobe |
| 2. Union Passenger Terminal/Historic District | 11. Garmer Block | 20. Sequoyia House |
| 3. Terminal Annex | 12. Old Chinese Store | 21. Petanconi House |
| 4. El Pueblo Historic District | 13. Old Plaza Firehouse | 22. Italian Hall |
| 5. Plaza Church | 14. Plaza Park | 23. Bruno Street |
| 6. First Cemetery (Site) | 15. Plaza Methodist Church | |
| 7. Plaza House | 16. Blackwell Building | |
| 8. Masonic Temple | 17. Lugo Adobe (Site) | |
| 9. Mercad Theater | 18. Plaza Substation-MTA Building | |

Listed on or determined eligible for listing on the National Register individually or as a part of a district.

Appears eligible for listing on National Register.

Listed as or appears eligible for listing as a Los Angeles Historic-Cultural Monument.

Union Station Area Master Plan

23e



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Community Redevelopment Agency

65 7th Street, Los Angeles

TRENDS INFLUENCING DEVELOPMENT

REGIONAL OVERVIEW

The LAUPT/USPS site is located in Southern California within the Greater Los Angeles area. This heavily developed, urbanized region encompasses the area lying within a 60-mile radius of downtown Los Angeles and includes portions of five counties: all of Los Angeles and Orange Counties and large portions of Riverside, Ventura and San Bernadino Counties. Over 95% of the five-county area's total population and over 96% of its total personal income are contained in this 60-mile radius.

Internationally, the Los Angeles area has a gross regional product which is 17% above the U.S. average, exceeded by only 13 nations in the world, and its per capita gross product is higher than that of any nation in the world except six: three small oil-rich countries in the Middle East, Brunei, Luxembourg and Switzerland.

On a national level the area has the second largest concentration of population, employment, income, business, industry and finance in the United States, exceeded only by the Greater New York area. Only four states in the country have larger total populations and only two have greater total personal income: New York and Texas.

With less than five percent of the land area of the state, this 60-mile radius represents more than 45% of its population, nearly 47% of its total personal income, 49% of its total non-farm employment, 59% of its manufacturing employment and 62% of the valuation of its international trade. Over half the economy of the State of California is concentrated within this 60-mile ring.

Sixty-three of the largest 100 companies headquartered in California have their headquarters in the Los Angeles area and seven of the top ten are headquartered in Los Angeles. The area is also home for four of the top ten banks, six of the top ten savings and loan associations, four of the five largest life insurance companies and six of the ten leading merchandising firms. This area accounts for 45% of the state's total deposits in banks and savings and loan associations.

DEMOGRAPHIC OVERVIEW - POPULATION CHARACTERISTICS AND GROWTH - REGIONAL AND LOCAL

In order to determine the economic potential for various uses of the LAUPT/USPS site, it is necessary to examine key economic forces in the Los Angeles area as well as socio-economic characteristics of the resident population. An analysis of these factors, in terms of their past performance and growth potential follows:

Population

Los Angeles and the surrounding five county area has grown rapidly in the last 25 years with annual increases in population of approximately 300,000⁽¹⁾ between 1953 and 1963. Over the next ten years there was a decrease in this rate of growth until 1972 when there was virtually no growth at all within the metropolitan five-county area. Recently, the rate of growth in the metropolitan 5-county area has averaged 190,000 annually. Our most recent population estimates reveal a total population in the five-county area of 12,082,900.

Estimated Population As of January 1, 1983		
<u>County</u>	<u>Total Population</u>	<u>% of Total</u>
Los Angeles	7,763,800	64.3%
Orange	2,036,400	16.9
San Bernardino	985,900	8.2
Riverside	731,200	6.1
Ventura	565,600	4.7
Five-County Total	12,082,900	100.0%
Source: State of California, Department of Finance, Population Research Unit.		

The population in Los Angeles County increased by 11.7% from 1970 to 1984. By far the most populous county in the state, Los Angeles County has almost four times the population of Orange County, its nearest rival.

Population Los Angeles County
1970-1984

	<u>January 1</u> <u>1984</u>	<u>April 1</u> <u>1970</u>	<u>Percent</u> <u>Change</u>
County Total	7,866,900	7,041,980	11.7%
Los Angeles	3,108,400	2,811,801	10.6
Long Beach	375,500	358,879	4.6
Glendale	147,100	132,664	10.8
Torrance	134,700	134,968	--
Pasadena	125,100	112,951	10.8
Balance of County	3,976,100	3,490,717	13.9

Source: Department of Commerce, Bureau of the Census;
State of California Department of Finance, Population
Research Unit.

In 1980, the Census Bureau estimated that the number of persons living within a 2.5 mile radius of Union Station was 239,806. By 1985 this had increased to an estimated 243,766⁽²⁾, an increase of only 1.7%. In a five mile radius, the total was 945,624 in 1980 and 972,427 in 1985, a 2.8% increase. The ten mile radius population totals were 2,794,715 for 1980 and 2,915,602 in 1985.

Employment:

Southern California's economy has recovered from the 1981-82 recession. The growth trend for the region can be seen from the increase in total non-farm wage and salary employment, which increased about 6% in 1984 with growth in the first half of 1985 estimated at 4% over the same period in 1984. The seasonally adjusted unemployment rate for the region's five metropolitan areas together was below 7% in mid 1985. The rate was 9.5% for the same period two years earlier.

As the following table indicates, unemployment in Los Angeles County has also followed a similar trend as the unemployment rate has fallen considerably in the last two years.

Annual Unemployment Rates
Los Angeles County
1973 to 1985

<u>Year</u>	<u>Annual Average</u>
1974	6.8
1975	9.7
1976	8.8
1977	8.0
1978	6.8
1979	5.5
1980	6.6
1981	6.9
1982	9.3
1983	9.7
1984	7.9
1985	7.0

Source: Job Service, Annual Planning Information
1984, 1985, 1986

Employment grew 3%⁽³⁾ from 1983 to 1984 and 3.3%⁽⁴⁾ between 1984 and 1985. For the two year period, employed persons in Los Angeles County increased by approximately 222,000⁽⁵⁾.

Employment levels in downtown Los Angeles have remained stable in the last ten years. An estimated 188,500 persons were employed downtown in 1975 and 211,800 in 1985. This represents average compound growth of 1.2% over this period and a 9% increase overall. However, private office employment has increased 39.8% for the same period displacing warehousing and industrial employment in the area.

Income

Personal income per capita in the Los Angeles five county area is over 17% above the average in the U.S. Real personal income was above \$17.9 billion in 1984 up from 135 billion a year in 1981. It is a point of interest that since 1948 real income per capita has increased at virtually a 2% per year pace. Real disposable income for the five county area in 1984 was \$12,380 per capita.

The table below represents some of the more important characteristics of the population residing within a ten mile radius of the site.

1985 Demographic Characteristics
Within a Ten Mile Radius of the LAUPT/USPS Site
(Macy St./Alameda St.)

	<u>2.5 Miles</u>	<u>5 Miles</u>	<u>10 Miles</u>
No. of Households	75,217	323,998	1,038,582
Average Household Size	2.91	2.8	2.63
Median Age	27.2	27.7	29.4
 Avg. Household Income	 \$ 12,119	 \$14,423	 \$ 18,322
Median Household Income	9,300	11,021	13,384
 Spanish Origin	 68.8	 56.7	 38.4

Source: Urban Decision Systems Inc.

Median and average income per household in 1985 for the State of California was \$18,248 and \$22,475 respectively. As the table indicates, income in the area is substantially lower surrounding the subject site than is typical statewide.

North of the subject site are the Hollywood, Glendale, Pasadena and Highland Park areas. These communities have higher incomes than those found in the rest of the ten mile radius of the site. To get a more accurate picture of these areas, we felt it was necessary to find out their characteristics. The following table has data from a five to ten and two and a half to five mile half radii north of the site (a half donut shape). It indicates that the area five to ten miles north of the subject site is very affluent with average and median incomes 51% and 43% above the state average respectively.

1985 Demographic Characteristics
in a 2.5 to 10 Mile Half Circle from
the LAUPT/USPS Site (Macy/Alameda)

	<u>2.5 to 5 Miles</u>	<u>5 to 10 Miles</u>
Households	141,014	344,624
Avg. Household Size	2.5	2.2
Avg. Household Income	\$21,224	\$32,048
Median Household income	17,379	24,923
Spanish Origin	44.8	20.7

Source: National Decision Systems

SUMMARY AND UPDATE OF EXISTING MARKET ANALYSIS

EL PUEBLO DE LOS ANGELES

El Pueblo de Los Angeles historic park is essentially a specialty retail area featuring 56,000 square feet in 78 shops. There is no office, hotel or residential space within El Pueblo. The retail space is 100% leased on Olvera Street with 25% devoted to restaurant uses. Most of the leases were written years ago and are considerably below market rents (\$6.50 per square foot). The Pico-Garnier block totalling approximately 50,000 square feet has had trouble releasing its space and the City is currently re-evaluating their position. A combination of local vagrancy in the Pico-Garnier area and difficulty in attaining expected returns has kept developers from embracing the Pico-Garnier blocks.

Olvera Street is one of Central Los Angeles' major tourist attractions with an estimated two million visitors annually in spite of limited promotion. Total sales volume is unknown, but probably in the vicinity of \$150 per square foot.

The state, county and city have a tripartite agreement to have the city operate Olvera Street. Presently the city has 78 individual leases with the merchants. The merchants have used succession to pass control of

the shops to family members, keeping the rents very low. Olvera Street suffers from the overlap of merchandise at the various stores. Recently, the El Pueblo Merchants Association has requested consultants to assist in structuring a management and capital improvements plan for Olvera Street. The LAUPT/USPS development plan should be coordinated with this new planning effort on the adjacent district.

CHINATOWN

Chinatown has a population of 8,600 people, 1,552 who work in Chinatown. Over 50% of Chinatown's households have reported annual incomes below \$10,000. Chinatown is a very unique community. It is distinctly an ethnic neighborhood strongly linked to a much larger Chinese community spread throughout the Los Angeles area. Those individuals who reside within Chinatown appear to have less formal education, fewer skills, lower incomes and speak Chinese predominantly. Those residents who work in Chinatown are in very low paying jobs. A disproportionate number of the residents are elderly women and there is a significant number of children in the community. Chinatown serves as a port of entry for recent immigrants who themselves have many characteristics similar to the current Chinatown residents.

Chinatown contains over 400,000 square feet of commercial space, oriented primarily to customers of Asian origin, but also drawing from the downtown work force and tourist markets. Rental rates vary from \$13 to \$19 per square foot. The Chinatown retail community functions basically as a center for supplying merchandise to the greater Chinese community in Los Angeles County and as a center for Chinese restaurants. The retail development in Chinatown is to a certain extent related to continued immigration, since the majority of sales are generated by Chinese customers.

Chinatown appears to capture a very limited amount of specialty expenditures, primarily reflecting a limited variety of specialty stores in Chinatown, possibly due to their tourist orientation or lack thereof. Chinatown does not encourage non-Chinese patronage through organized programs and marketing; therefore, it is not considered a strong tourist

attraction. Attracting non-Chinese economic activities is not expected in the near term, given both increasing resident ethnicity and possible community desires toward maintaining this character.

Chinatown has approximately 150,000 square feet of secondary office space. Newer buildings rent in the \$18 to \$21 per square foot range. Parking for offices is limited and those buildings with parking (977 Broadway) have very low vacancy levels (2%).

Since 1984, redevelopment in Chinatown has yielded 270 units of elderly housing and 85 rehabilitated housing units. Currently, there are 269 residential units underway for low and moderate income families. These projects include 60 condominium units for low to moderate income families at Angelina Terrace, 20 rental units for very low income families at Hillside Villa Apartments and 65 rental units at Bartlett Hill Manor, also for very low and moderate income families.

LITTLE TOKYO

Little Tokyo contains roughly 275,000 square feet of retail and restaurant uses with rents varying from \$13 to \$25 per square foot, triple net. Like Chinatown, Little Tokyo is also oriented primarily toward customers of Asian origin. However, Little Tokyo draws more heavily from the tourist and work force markets than does Chinatown.

Presently under construction are three projects: the Brunswick Building, a 150,000 square foot office/retail center which is expected to be completed this year; Little Tokyo Square, a 200,000 square foot retail/recreation center, also with occupancy expected by year-end; and the Sunshine Hotel with 10,000 square feet of retail and 178 rooms.

Little Tokyo has been traditionally a retail marketplace. Office development is relatively new in Little Tokyo and is largely occupied by users requiring only limited amounts of space. Many larger office users prefer to locate in more highly developed office areas, such as downtown, even though Little Tokyo office lease rates of \$13 to \$20 are significantly lower than downtown levels. Little Tokyo has approved plans for 135 housing units at First Street North, along with 1,000 new hotel rooms, 400 at the Taira Hotel, 400 at the Great Ginza and 200 at Parcel 3-D.

Little Tokyo has three large residential projects, all of which are presently occupied with waiting lists for the rental units maintained. Tokyo Villa Condos is a 6-story, 176 unit, market-rate condominium housing development at Third and Alameda. Twenty-two percent of the units are reserved for "moderate income" households. The project was completed in July of 1985 and sold out upon opening.

Another project in Little Tokyo is a federally subsidized senior citizen housing complex called Little Tokyo Towers. There are 301 units which were completed in 1975. Additionally, there is another subsidized housing project called Miyako Gardens. It has 100 units that were completed in 1981. These earlier projects were subsidized by the Department of Housing and Urban Development. The apartment units are occupied by senior citizens, most of whom are Japanese-American, although others also reside there. The units are in high demand, partially because HUD subsidizes the rents.

CIVIC CENTER

The Civic Center is located in the northern sector of the Central Business District. It is estimated that most of the 45,000 city, county and federal employees work within this 200 acre area. Approved plans for growth in the Civic Center total 2,635,000 square feet of county buildings. The General Services Administration plans to build a Federal Center at the corner of Aliso Street and Alameda. This center would include 560,000 square feet of office and courthouse space; 200,000 square feet for a drug-related veterans outpatient clinic and 175,000 square feet for a federal detention facility which will hold federal prisoners awaiting trial. This project would be directly across from the LAUPT/USPS site to the southwest and could bring in 1,100 new employees to the area. Three thousand eight hundred employees will be transferred from existing offices within the Civic Center. Construction begins next month and completion is expected by 1989-90.

Additionally, a County Engineering Building with 500,000 square feet of office and 57,000 square feet of retail is planned at Second and Main. To satisfy administrative and support needs in the Civic Center area, the New County Mall is planned with 503,000 square feet of office and 50,000

square feet of retail to be located at First and Spring. Another Civic Center project for a state office building at Third and Spring has been approved. It would include 590,000 square feet of office with 12,000 square feet of retail. Such county related growth in the Civic Center could be funneled to the LAUPT/USPS site.

DEVELOPMENT PATTERNS IN LOS ANGELES

LOS ANGELES OFFICE OVERVIEW

Los Angeles County has a total of 127,772,700⁽⁶⁾ square feet of office space. Over 54% of this total is located in seven areas in the City of Los Angeles and Beverly Hills. The following table depicts the location and total number of square feet in each of these locations.

Los Angeles/Beverly Hills
Office Space
Seven Selected Areas

<u>Location</u>	<u>Square Feet</u>
Downtown	31,849,624
Mid Wilshire	7,620,622
Miracle Mile	2,182,204
Century City	7,129,561
Westside	13,754,861
Airport	<u>7,297,897</u>
Total	68,844,744

Source: California Real Estate Directory, Summer 1986

Of the areas listed in the table, the Miracle Mile and Century City, located approximately eight and ten miles west of the subject site respectively, appear to be having the most trouble retaining tenants. Both are located over one mile from the nearest freeway and suffer from problems created by traffic congestion. As a result, there has been a significant migration of tenants which include advertising, insurance and law firms. Rents in the Miracle Mile and Century City areas are approximately \$20 to \$24 per square foot and vacancies are 37% and 13% respectively.

The boundaries of the Financial District are generally Olive Street on the east, 9th Street on the south and the Harbor Freeway on the west. In this analysis we have also included a small number of existing and proposed buildings that are located on the west side of the Harbor Freeway. Although in general, this location has not proven competitive to the downtown core area.

Union Station is located approximately one mile northeast of the Los Angeles Financial District. Between the Financial District and Union Station is an area dominated by government related offices, courts and cultural facilities. Much of this area, referred to as the Civic Center, has been devoted for use as public space, (malls, plazas and landscaped areas) and cannot be developed.

The Los Angeles Financial District has undergone a renaissance in the last 15 years that continues today. Historically dominated by financial services, it is now changing to include a greater representation of communication trade and general business services. Major recent commitments by IBM and AT&T are evidence of this trend. Since 1970, over 20 million square feet of office space has been added to the downtown supply to meet the needs of this diversifying office user market. As indicated in the table on the next page this represents a 600% increase in the office space supply for this period.

Of the total 24.2 million square feet of office space, approximately 4.2 million are available for direct lease or sublease. This means that almost 20 percent of the current supply is presently available. However, it should be noted that in November of 1985 the available office percentage was over 22%. Since 1980, office space absorption has averaged 850,000 square feet per year. Last year net space absorption in the Downtown Financial District was 934,000 square feet which was a marked increase over the 650,000 square feet absorbed in 1984.⁽⁷⁾ Downtown absorption as of May 1986 is estimated to be 500,000 square feet.

Development of General Office Space
in Downtown Los Angeles*

<u>Year</u>	<u>Inventory of Space*</u>	<u>% Increase</u>	<u>% Annual Increase</u>
1970	3,500,000	--	--
1980	10,500,000	300%	11.61
1985	24,200,000	130%	8.70

* Inventory consists of general office buildings. Institutional and special purpose buildings have not been included in this inventory.

Source: 1983 Los Angeles Terminal Annex, Highest and Best Use Study; Cushman & Wakefield.

Of the 24.2 million square feet of existing office space, we have estimated that approximately 12,240,000 square feet are in primary office buildings and 11,960,000 square feet are in secondary buildings. The primary and secondary supplies were selected on the basis of location, building quality and design, the stature and type of building tenancy and the reputation of the project management and ownership. Occupancy in the primary office space is approximately 83% and 81% in secondary buildings. The primary supply tends to consist of larger buildings that were built since 1972. Secondary buildings are generally smaller and the majority were built before 1972. Asking rents in the primary space range between \$18 and \$34 per square foot with an average of \$25 to \$27. Secondary offices are currently asking for rents between \$12 and \$32 per square foot with the average rent between \$19 and \$21.

The significantly large amount of vacant space, if considered in isolation, may overstate the current weakness in the office market. A recent survey by Cushman & Wakefield revealed that although a large number of full floors are available, a major user (large corporation) requiring 200,000 square feet of contiguous space could not be accommodated in any of the existing buildings. California Plaza, which has 509,000 square feet available on a direct lease basis, is a good example of this situation. Just under 300,000 square feet of this space is available on a short-term basis only, due to expansion commitments made to existing tenants. The availability ranges from four years to a maximum of ten years. Contiguous full floor space available on a long-term basis totals approximately 70,000 square feet.

At present, there are approximately 7.9 million additional square feet of office space that are considered probable for development in the next seven years. This total is elastic and the chance of all of these projects coming to fruition is small. Few office projects are being built speculatively, as banks insist that developers have substantial preleasing before construction begins.

Virtually all of the projects planned, (except California Plaza in Bunker Hill) including Citicorp Plaza II & III, the Mitsui Building at Wilshire and Figueroa and the Manulife Building at Ninth and Figueroa, are in the southern direction of the existing supply. Construction to the north, east and west is reaching its limits and is constrained by several factors, including land scarcity, civic structures and freeways. The LAUPT/USPS site is located in the opposite direction of this development thrust and will have a great amount of difficulty competing with primary office space that is better located within the CBD for major corporate tenants. However, because LAUPT/USPS site (like the financial district) has excellent access to major area freeways, there is a possibility of the Union Station site attracting smaller office users from the Century City and Miracle Mile areas in the future.

At the LAUPT/USPS site, developing prime office space for major users would be highly speculative given the large oversupply and 20% vacancy rates in downtown. If substantial pre-leasing could be obtained prior to starting construction, proving the viability of the area, additional uses could be easily supported. If prime office space is developed it will be important for the office development to be phased into a mixed-use project. Secondary office space is just as speculative but supports a lesser scale of hotel and retail. In either case, competing with the Central Business District can be overcome if the proper setting is established. Office, in conjunction with a trade center cultural facilities, festival retail or hotel uses, will create the critical mass necessary for an office project to be successful.

This is especially true if the site becomes the center of transportation for the Los Angeles area. Because 40% to 50% of the Central Business District employees use public transportation, the

potential for creating a transportation and high use center at the LAUPT/USPS site is excellent. Utilizing the natural influx of employees in combination with improving the LAUPT/USPS environment is the necessary step for successful project, capable of supporting large scale office development.

RETAIL DEVELOPMENT PATTERNS

From a metropolitan perspective, the Los Angeles retail market is "experiencing a decline in new regional mall development and an increase in renovation and expansion activity of existing centers," according to a November/December 1985 report by National Mall Monitor, one of the retail industry's leading trade publications. The table below illustrates the trend in new retail center development over the past four decades in the Los Angeles/Orange County area.

Opening of New Regional Malls Los Angeles/Orange County Area <u>1940 - 1980's</u>	
<u>Decade Starting</u>	<u>No. of Malls Opened</u>
1940	1
1950	12
1960	15
1970	21
1980	10

The historical data presented above illustrates that the peak of new regional mall development occurred in the 1970's. Although the decade of the eighties is still three years away, announcements of major new projects have been limited, and will not come anywhere near the number opened in the seventies.

Despite the slowdown of new construction, industry experts report retail sales to be healthy and growing. Several new national chains have entered the market, such as Nordstrom's, Mervyn's and Target. Additionally, several existing large-scale retailers -- J.C. Penny, Ross and Gemco -- have launched aggressive expansion campaigns. Pressure by new retailers entering the market and earlier established retailers

seeking new locations has triggered expansion of existing malls that are fairly young, in good condition and exhibit superior sales performance. There is also increased renovation of older centers that have become physically and materially obsolete yet are in a good location with an already proven market.

While expansion and renovation is the predominant activity, other types of new retail activity include fill-in of commercial areas and development of mixed-use projects. Fill-in consists of taking existing clusters of retail stores located at intersections of the city to create a "mini-mall" with seven or eight stores, that provide primarily ancillary retail businesses to the residential community. Some 400 of these mini-malls can be found in Los Angeles County.

Mixed-use projects with retail as an essential component have caught on as an exciting alternative to suburban malls. The renaissance of downtown Los Angeles into a dense urban area has spawned the first generation of mixed-use projects, such as Citicorp Plaza, Broadway Plaza, Arco Plaza and proposed California Plaza. The proposed Hollywood Center, when complete, will be the forerunner of mixed-use projects in the Hollywood area.

These mixed-use projects typically have more specialty retail stores and fewer anchor tenants (one or two) than the larger suburban regional malls which tend to have two to four anchor tenants and many more national chain stores. The size of the retail component in mixed-use projects are smaller, ranging from 100,000 to 400,000 square feet, rather than the 500,000 to 1.5 million square foot size typically found in regional malls.

Festival or tourist-oriented specialty retail in Los Angeles has traditionally sprung from clustered street front retailing, originally serving a specific residential community. The most prominent is Rodeo Drive which started as several high-end specialty shops catering to the Hollywood glamour set. As its popularity grew, so did its size as similar and complementary businesses were attracted to the area, thus creating synergy and making it a "must see" destination for tourists. Other such areas include Little Tokyo, Olvera Street, fashioned after the Mercado atmosphere in Mexico and Chinatown.

Melrose Avenue, another example of this street front retail, is one of the most unique design oriented, non-conventional combination of shops and restaurants in a residential area. Individual owners lease space along a 15 to 25 block strip to tenants ranging from designers to punk rockers. The street is a commercial strip going through a renaissance. In between newer stores are used car lots, repair shops, a synagogue and an elderly housing complex. The juxtapositioning of uses, tastes and patrons makes walking Melrose Avenue a different and refreshing experience. Visually one goes from avante garde design to no design whatsoever. Tourists and locals frequent Melrose Avenue both during the day and in the evening for its excellent night life.

To the west of the LAUPT/USPS site approximately eight and one half miles is the Farmer's Market at 3rd and Fairfax. This market established in the 1930s and recently renovated features restaurants, specialty retail, a wide range of food and groceries and various services. The Farmer's Market is similar to Pike's Place in Seattle.

At present, there are a number of retail shopping choices in the Los Angeles Financial District. Totalling over 750,000 square feet of retail space, Broadway Plaza and the 7th Street retail core area, which includes the Robinson's Department Store, are both very popular shopping and eating areas. 7th Market Place, the 345,000 square foot retail portion of Citicorp Plaza, is located at the corner of 7th and Figueroa Streets. It has only been open a short time, but its distinctive design and architecture make it the most dynamic shopping environment in the entire financial district. Other retail centers in the area include Arco Plaza (175,000 square feet) and Bonaventure Shopping Gallery (145,000 square feet) both of which are poorly designed and struggling to keep retail tenants, and Crocker Center (60,000 square feet), a new project consisting of restaurants and convenience retail, which has been open for only a short time. Total retail square feet downtown is estimated at almost 2,000,000 square feet.

HOTEL MARKET

The hotel market in downtown Los Angeles can best be defined as very competitive. Over the last 15 years, increases in demand caused by the development of office space have consistently been offset by increases in the room supply. In the mid 1970s, the Hyatt Regency, Westin Bonaventure and Otani hotels opened adding over 2,400 rooms downtown. The upscale, 489-room Sheraton Grand opened in 1984. With average room rates above \$120, it has captured part of the hotel market that previously stayed in Beverly Hills.

The estimated aggregate occupancy in downtown Los Angeles for 1984 was 59.5%. During 1985, the occupancy was 64.3%. An unusual decrease in supply occurred in 1985 due to the closing of the Mayflower Hotel and major renovations of the Hilton and Biltmore hotels.

As illustrated in the table below, the occupancy increase in 1985 was due to the decrease in the supply of rooms, since actual occupied rooms declined by 6.3%.

Downtown Los Angeles Competitive Hotel Supply for the Union Station Project			
	Estimated 1984	Estimated 1985	Percent Change
Number of Properties	14	13	(7.1)
Number of Rooms	6,616	5,735	(13.3)
Annual Rooms Available	2,414,840	2,093,275	(13.3)
Annual Rooms Occupied	1,436,500	1,345,769	(6.3)
Occupancy Level	59.5	64.7	5.2

Source: Pannell Kerr Forster; Halcyon Ltd.

The hotel occupancy outlook for 1986 will probably stay near the 65% level as the Sunshine Hotel is scheduled to open and the renovation of the Hilton and Biltmore is expected to be complete. The additions of the rooms in these hotels for the current supply will capture the growth in demand estimated at 4.0% in 1986. This means the number of occupied rooms is expected to increase at approximately the same rate as the increase in room supply, creating a stable market occupancy. There are a number of hotel projects in the planning stages at this time. Below is a listing of these projects.

Additions to Hotel Supply
Downtown Los Angeles

<u>Facility</u>	<u>Number of Rooms</u>	<u>Expected Opening Date</u>
Sunshine Hotel	178	1987
Ayala	194	1987
California Plaza	400	1989
Pacific Lighting Co.	500	--
Little Tokyo	400	1990
Pershing Square	500	--
Convention Center	500-1,000	--

Source: Pannell Kerr Forster; Municipal Auditorium
Department, Los Angeles Convention Center; Halcyon Ltd.

No formal plans for a hotel at the Convention Center have been made. However, according to sources at the Convention Center, a large convention hotel will be necessary to accommodate the market once the new booking policy is implemented and the Convention Center is complete. Even with the proposed additions to the current hotel supply, occupancies are expected to increase or stay firm at their current levels due to the proposed expansion of the Convention Center which is scheduled for completion in 1992. The 375,000 square foot addition of exhibition space will more than double the current 235,000 square feet that exist now. With the additional space, the Convention Center is expected to attract larger conventions and trade shows that cannot be accommodated by the existing facility. Total annual attendance is expected to increase from the current 1.5 million annual capacity to over 2 million by 1995.(8) A study on the booking policy of the Convention Center is currently being undertaken under the authorization of the Los Angeles City Council. Due for completion late this year, the study is expected to make recommendations that will increase the number of events at the Convention Center attracting out of town guests. Currently, the Los Angeles Convention Center tends to book a large number of trade shows and conventions that draw primarily from the Los Angeles area and do not generate occupied hotel room nights. If the booking policy were to change significantly, attracting large numbers of overnight visitors, occupancy in downtown hotels will increase substantially.

The potential for hotel development of the LAUPT/USPS site is constrained as occupancies in downtown hotels are weak, many new hotel projects are in the planning stages and future increases in demand are being generated in the opposite direction (office development downtown, convention center expansion). The possibility of a conference center hotel at the LAUPT/USPS site is also limited due to the abundance of existing conference facilities (over 251,000 square feet in 141 meeting rooms) located downtown.⁽⁹⁾ Even if there were a shortage of conference facilities, a conference center at the LAUPT/USPS site would be overexposed to future competitors located closer to downtown where the demand for such facilities is generated. However, if a demand generator could be developed on the LAUPT/USPS site, such as office space, a trade center or festival marketplace, a hotel would become more feasible.

INDUSTRIAL

Industrial space in the downtown Los Angeles area totals approximately 69 million square feet, 50% - 75% of which was built prior to 1953. Lease rates in the Central Business District range from \$.37 - \$.55 per square foot. The lease rate for the industrial area surrounding the LAUPT/USPS site averages \$.50 per square foot in Los Angeles. Warehouse and manufacturing space leases at the lower end of the scale - from \$.30 - \$.50 with research and development space leasing from \$.65 - \$1.00 per square foot. Most of the new research and development near Downtown Los Angeles is in the outlying areas of Commerce and Bell.

New industrial space is very limited in downtown Los Angeles because of the low density character of industrial development and the high land costs in downtown. There is a 14-acre business park proposed for Alameda Street and 15th, but other than this project there is very limited new construction. The sources of demand are mainly from the garment, produce, flower, fish and wholesale food distributors located in Chinatown and Little Tokyo.

In 1982, a wholesale produce distribution facility was begun at Alameda and 8th Street. At completion this year, the project included 565,000 square feet of facilities on 29 acres. It is currently 100% leased. Another industrial project provides produce support facilities is located at Olympic and Central featuring 160,000 square feet.

Brokers suggest that any new, divisible, industrial space built would be quickly absorbed at rates of \$.50 - \$.55 per gross square foot. Of the existing industrial buildings, floor plates range from 5,000 - 30,000 square feet, with the average having 22,000 square feet and 18 foot ceilings. Most of the current supply of industrial buildings have 10% - 15% of office space.

The central Los Angeles area is important for distribution/warehousing and manufacturing operations. Its central location, excellent freeway access to the region, and access to a large labor force are important advantages. Distribution to the growing downtown functions and to other nearby commercial centers is another important advantage of the area.

Most suitable land for industrial development in Los Angeles County is located in the southern and northern areas of the county. Suitable land for industrial use made available in the central Los Angeles area would have a distinct competitive advantage over other available areas to capture many users, especially those involved in distribution activities. However, land costs limit the feasibility of industrial development close to the CBD and on the LAUPT/USPS sites in particular.

RESIDENTIAL

The City of Los Angeles has consistently accounted for a major portion of residential units authorized by building permit in Los Angeles County. Downtown Los Angeles has recently undergone a rejuvenation with residents beginning to view downtown as a safe and convenient place to live. The Skyline Condominium Tower, completed last year, sold more than 85% of its condominiums in Phase I. Buyers were typically middle management types who could afford to pay \$171,000 to \$185,000 for one bedroom units, \$209,000 to \$270,000 for two bedroom units and \$337,000 to \$367,000 for penthouse suites. The tower is a 15-story structure, located at 600 W. 9th Street, 10-12 blocks southwest of the LAUPT/USPS site. The project includes 200 housing units, 10,000 square feet of retail and 400 parking spaces. Phase II will begin construction late this year with 212 units in a 15-story tower. Phase II will include 15,000 square feet of retail and 300 parking spaces.

The Community Redevelopment Agency is sponsoring a housing project by Tutor-Saliba which will bring in 150 - 200 rental housing units to Olympic

Park. This area, along 9th Street and across Olympic Boulevard from the park, is an expected area for residential growth, and is also 10 - 12 blocks southwest of the LAUPT/USPS site.

Promenade Towers, at First and Figueroa, is a multi-use rental, office and retail development across the Civic Center, five to six short blocks from the LAUPT/USPS site. The towers offer 530 apartment units and 60,000 square feet of retail space in a 17-story structure. The apartments have been very successful, with 80% leased when the project was nearing completion.

Another project planned for downtown Los Angeles is in the Hope/Grand/Third Street area, called Grande Promenade. It is a three tower development, Phase One of which is a 30-story mixed-use complex scheduled for completion in 1988. Rents range from \$750 for a one bedroom unit to \$1,875 for a two bedroom apartment.

An attraction of the new residential projects downtown is their proximity to office buildings and convenience for those working long hours. Rates are somewhat reasonable because downtown is still not seen as an ideal place to live and many alternative residential communities exist within the area.

If an internalized environment could be created at the LAUPT/USPS sites, there may be potential for phased residential development. The problem is that the residential units in the immediate vicinity of the LAUPT/USPS site have been built for low and moderate income families. If residential development was subsidized, perhaps the LAUPT/USPS sites could be utilized for below market residential. If residential development was similar to that of the Skyline and Promenade projects, catering to higher-end residents who want to live in Downtown Los Angeles and have the ability to walk to work, then higher sales and rental prices could be established. This sort of gentrification though, may not be consistent with the goals of surrounding neighborhoods and may not be supportable given the current market and surroundings in the area.

SPECIALTY USES

Festival Market Complexes

The Urban Land Institute defines a specialty/ festival center as an "anchorless retail project containing food/entertainment, specialty and boutique items in a festival or theme environment.

Festival centers are recreational in nature and become "tourist" oriented. The term tourist includes local and regional visitors as well as out of state and foreign travelers. These centers are not anchored by the traditional department store. The food, usually different and indicative of the area, the specialty shops and the street entertainers create the draw. These centers are usually in locations that enhance the festival atmosphere, i.e., waterfronts, historic and/or unusual buildings. These locations are frequently new, unusual or slightly off center at the time of development but do have strong locations near large employee or residential concentrations.

The tourist business is very profitable. Tourists usually are bigger spenders than the local shopper. Faneuil Hall in Boston, Harbor Place in Baltimore and Pier 39 in San Francisco experience very high sales volumes in the range of \$400 to \$500 per square foot. Thirty-four percent of Harborplace's shoppers are tourists and they account for 45% of sales. In Chicago, the mixed-use Water Tower Place experiences 30% of its atrium shoppers from outside the metropolitan area. Non-resident shoppers average purchases 10% to 30% higher than those living in the metropolitan area. Forty nine percent of Faneuil Hall shoppers are tourists.

Another visitor category is the conventioneer and family. This relatively high income visitor can spend more than the typical tourist. Expensive shops located in or connected to the hotels are patronized by this consumer.

National conventions have the most significant effect on retail sales. A 1978 - 79 survey by the International Association of Convention and Visitors Bureaus indicated that delegates to national and international conventions spend 29% more than delegates to state or regional conventions.

In light of these higher expenditures it is important to remember that the tourist market is fickle. National and world events effect travel

plans (i.e., terrorists in Europe, a recession or depression nationally, a major event that draws tourists to a specific area like Expo, the Olympics, the Statue of Liberty restoration, etc.). Because of this, it is important to establish a local base and not rely totally on tourists for sales.

The following is a list of festival centers around the country:

1. The Arcade - Providence, Rhode Island
2. Arcade Square - Dayton, Ohio
3. Bayside - Miami, Florida
4. The Bourse - Philadelphia, Pennsylvania
5. Brightleaf Square - Durham, North Carolina
6. The Cannery - San Francisco, California
7. The Corner - Boston, Massachusetts
8. Faneuil Hall Marketplace - Boston, Massachusetts
9. Ghirardelli Square - San Francisco, California
10. Harborplace - Baltimore, Maryland
11. Jax Brewery - New Orleans, Louisiana
12. Lexington Market - Baltimore, Maryland
13. Ocean One - Atlantic City, New Jersey
14. The Pavilion in the Old Post Office - Washington, D.C.
15. Pier 39 - San Francisco, California
16. Pike Place Market - Seattle, Washington
17. Quaker Square - Akron, Ohio
18. The Shops at Station Square - Pittsburgh, Pennsylvania
19. South Street Seaport - New York, New York
20. Trolley Square - Salt Lake City, Utah
21. The Underground in Atlanta - Atlanta, Georgia
22. Union Station - St. Louis, Missouri
23. Union Terminal - Cincinnati, Ohio
24. The Waterside - Norfolk, Virginia

A brief description of five centers are included to better understand the development process.

Faneuil Hall Marketplace
Boston, Massachusetts

Owner: The Boston Redevelopment Authority
Developer: The Rouse Company
Architect: Benjamin Thompson & Assoc., Inc.
Opening Date: August 26, 1976
Center Size: 219,000 square feet of retail festival space in three converted market buildings.

Faneuil Hall consists of 160 stores in three 536 foot long converted industrial and public market buildings dating back to 1826. It is located

between the Government Center and the waterfront in downtown Boston and has become the central focus for revitalization and new development in downtown.

The Boston Redevelopment Authority (BRA) owned the property and wanted to develop the site into a downtown retail center. The surrounding properties were older, deteriorated, commercial and industrial buildings that were an eyesore for downtown and obstructed access to the waterfront. Several developments were undertaken prior to and in conjunction with the Marketplace to improve the area's image and strengthen the potential market which enhanced the possibility of success for Faneuil Hall. Included in these surrounding projects were a new City Hall and government complex, new office towers and waterfront development comprising of an aquarium, waterfront park, historic wharf buildings converted to hotel, retail and office. Two years after the Quincy Market opened the two additional buildings were opened.

Substantial public financing was used in the development for which the city shares in the overall profits of Faneuil Hall. The BRA leased the buildings to the Rouse Company on a 99 year lease at \$1 per year. Ownership and ultimate control remains with the BRA. The Rouse Company has a contractual agreement to manage the project on a daily basis. Public improvements were paid for by public funds. The Rouse Company arranged for private funds to cover the costs of construction. The city acts as a development partner and shares in a percentage of the net cash flow, in exchange for a waiver of property taxes and conventional lease terms. In 1981, the Marketplace produced \$72 million in gross sales.

The center has outperformed its projections. The unexpected sales volumes are attributed to the tourist market. In 1981, 60% of the 12 million visitors were tourists. This required an alternative to the tenant mix, scaling down the size of stores and merchandising to a broader basis rather than to the downtown office worker lunchtime crowd.

Faneuil Hall has had its impact on downtown Boston and the waterfront. It has created nighttime activity, added new office and residential construction nearby and on the piers as well as stimulating spin off business, stores and restaurants.

Harborplace
Baltimore, Maryland

Developer: The Rouse Company
Architect: Benjamin Thompson and Associates, Inc.
Opening Date: July, 1980
Center Size: 140,000 square feet located in two two-story buildings

Harborplace consists of 140,000 square feet of restaurants, cafes, fast food, fresh produce and specialty retail (approximately 140 tenants) in two new glass enclosed pavilions on Baltimore's Inner Harbor. It's success attracts nearby office workers as well as tourists.

In 1959, the City of Baltimore realized the value of revitalizing the Charles Center/Inner Harbor. Working with developers and other private sector interest, the City planned and developed the 33-acre Charles Center/Inner Harbor area to redevelop the downtown and waterfront. In 1964, the plan called for recreational, entertainment and cultural facilities along the shoreline and pieces of the Inner Harbor. Over 25 attractions have been established along the waterfront, included in them are the U.S. Frigate Constellation, the Maryland Science Center, a floating maritime museum, the National Aquarium, a convention center, a Hyatt hotel, the World Trade Center and other office towers. Over \$140,000 in public improvements were made to stimulate private development.

Considerable public assistance was used to assemble and clear the site for development. Site work was done by Charles Center/Inner Harbor Inc. under a contract with the city. The Rouse Company ground leases the land from the city for \$100,000 annually as well as 25% of the net cash flow of the center after the developer's profit. Rouse arranged for private construction and take out financing. Private costs were \$18 million which was 1-1/2 times greater than the cost of a new suburban mall.

Harborplace has been a great success story. It has exceeded all records and projections. It out performed Faneuil Hall. Prior to construction, the center was expected to produce \$2.3 million in property sales and income tax in the first year. In its first year, the city and state governments received \$3 million as well as a share of parking revenue. Eighteen million people, four million more than visited Disney World, visited Harborplace in its first year. Tourists represented 25% of those visitors.

Pikes Place Market
Seattle, Washington

Owner: Pikes Place Market Preservation & Development Authority (PDA)
Architects: Several
Opening Date: Built in 1907, Renovation 1971
Center Size: 350,000 square feet of net rentable area located in a variety of public market buildings

Pike's Place market, unlike other urban retail markets, is an actual retail food and farmer's market. It also provides a mix of food service, specialty retail, services (i.e., optometric, shoe repair, hardware) and social service agencies (clinic, senior citizens center and day care). The tenant's are entirely owner operated businesses with no national or regional chains allowed in the market.

The seven-acre parcel was granted historic district status in 1971 and a redevelopment agency was created to revitalize and manage the project. The market had badly deteriorated since 1907 and was in need of major renovation. The historic district was incorporated in a larger 22-acre urban renewal district which made it eligible for local and federal funding. The PDA acts as a last resort developer renovating portions of the market not economically feasible for private development. The primary trade population is people living and working downtown and nearby neighborhoods. Tourists are a strong but seasonal secondary population.

Financing arrangements are unique since the market is managed by the public sector. Several offices and retail structures are privately owned and operated without public assistance. The buildings owned by the PDA were rehabilitated and brought up to code by the PDA and subsidized by the city through a one-time capital grant for rehabilitation. The city, acting as urban renewal agent, funneled funds into the district to improve streets, sewers and sidewalks and acquire property for redevelopment. The Pikes Place Urban Renewal Project Area has attracted \$125 to \$150 million of new investments, two thirds have been from the private sector, the public sector contributing the final third.

The market rents are about 70% of market and new leases are being made. No current sales volume records are kept but estimates are approximately \$40 million. The market employs 2,000 workers. The most important contribution is to the image and vitality of the downtown;

20,000 visitors visit the market daily. By maintaining and operating an active and vital public farmer's market and offering affordable space for craftsmen and entrepreneurs, the city has provided an incubator for small businesses to grow and develop and contribute goods and services to the community.

The Shops at Station Square
Pittsburgh, Pennsylvania

Developer: Godine & Stunda Inc.
Owner: Landmarks Design Associates, Inc.
Opening Date: Phase I - October, 1979
Phase II - Fall, 1983
Center Size: 145,000 square feet of specialty retailing
located in two historic freight houses

The 145,000 square foot specialty center is located in two rehabilitated 1897 railroad storage buildings. The shops are part of a 41-acre Station Square mixed-use development located across the Monongahela River from Pittsburgh's Garden Triangle downtown. Station Square also includes 480,000 square feet of office space, a 600 room Sheraton, an excursion boat dock and riverfront park and parking for 2,400 cars.

The property is owned by the Pittsburgh and Lake Erie Railroad (P&L E) and leased to the Pittsburgh History and Landmarks Foundation (PHLF), a non-profit organization dedicated to preserving historic properties and educating the public about local history. Each on-site development is subleased by PHLF on a subordinated basis to various developers or is carried out by PHLF itself.

Station Square shops are predominantly food and food service to draw the downtown office employees and visitors during lunch, after work and on weekends. Included in the mix are quality apparel shops, gift, accessory and specialty goods not found in the metropolitan area. The shops were established after market research indicated a void in the market and that downtown Pittsburgh could support such uses.

Station Square had been the corporate headquarters for P&L E as well as the main passenger terminal and freight facility. In 1973, PHLF initiated a plan to preserve the site and arranged initial funding from the Allegheny Foundation for development, restoration, site improvements and planning. The Allegheny Foundation was interested in supporting

development in downtown Pittsburgh. In 1979, with support from the mayor P&L E agreed to lease the company's 41 acres to PHLF for 50 years with joint ownership occurring thereafter.

The site was divided into eight parcels. The Grand Concourse, the original passenger waiting room, was developed by C.A. Meur Corporation, a restaurateur out of Detroit, who became the anchor tenant. The restaurant was an overnight success, generating over \$3 million in sales its first year and exceeding \$6 million in 1982.

Initial leasing was slow since retailers were skeptical about the location. In 1979, Goldine and Stunda were brought in to lease and develop the Freight House. Ownership of the Freight House was offered Goldine and Struda if they could lease enough square footage in one year to support private financing. They were successful and the project opened October, 1979 with Goldine and Stunda assuming ownership, management and operating control.

The shops were developed to create a festival marketplace atmosphere to draw downtown workers and tourists. Although the site appears to be removed from downtown, it is a major transportation hub. Smithfield Street Bridge passes right by the site and feeds into downtown. Approximately 1,700 buses and trolleys use the bridge daily. A major mass transit point adjacent to the site was constructed.

Privately financed development costs totaled \$6.6 million for the Freight House Shops in Phase I including \$2.5 million from PHLF and \$4 million from a private lender and \$3 million for the retail on the first level of Commerce Course. Public financing for the entire Station Square project totaled \$7.9 million and included two UDAG funds and a Economic Development Administration grant. These funds were used to provide parking and make site improvements for the entire project. The Allegheny Foundation also contributed \$10 million in equity grants as up front money for building restoration, site improvements and overhead costs. Total costs of the Station Square development were approximately \$250 million. In 1980, the first full year of operation, more than 60% of the retail shops paid percentage rent. Sales are approaching \$300 per square foot. About 3,000 full and part-time employees work in the shops and restaurants. Annual tax revenue generated in 1981 was more than \$550,000. This was a tenfold increase in tax revenues since the

redevelopment. The mixed use nature of the project aids the success of Station Square. Over 40,000 people per week visit the shops. The hotel operates at a high occupancy rate and is conveniently located for shoppers. The office space is totally leased. The Gateway Clipper ships attract 3 million visitors who in turn shop in the stores. The Shops at Station Square have expanded Pittsburgh's Golden Triangle downtown area across the river and helped to maintain its strength as a regional shopping area.

Jackson Brewery
New Orleans, Louisiana

Owner: Jackson Brewery Dev. Corp.
Architect: Concordia Architects
Opening Date: October, 1984
Center Size: 60,000 square feet

Jax's Brewery is a 65,000 square foot festival retail center in a rehabilitated beer brewery facing Jackson Square in the French Quarter of New Orleans. It is estimated that seven million tourists visit Jackson Square annually. The location is predominantly tourist oriented with the smaller of the two convention centers only a short distance away. Jackson Brewery does not benefit from the downtown financial district employee expenditures since the bulk of the office workers are located across Canal Street, concentrating around Poudras Avenue. The distance is too far for a lunch hour walk.

The renovation costs were about \$14 million and involved 26 historic agencies; the Vieux Carre Commission and the Department of the Interior were most involved and most diametrically opposed. The original building had gone through several additions and so it was finally decided to gut the interior, construct a new building inside the hull which would center around a 100 foot glass atrium.

The Jackson Brewery has been very successful since its opening in October, 1984. It opened 100% leased. Presently a 70,000 square foot expansion is underway and scheduled to open August, 1986.

A note on rents for festival centers, according to the Rouse Company Faneuil Hall, South Street Seaport and Harborplace receive base rents in the \$25 to \$30 per square foot annually. Sales for these centers range from \$550 to \$600 per square foot.

A festival market place at the LAUPT/USPS site could work quite well. Several similarities with each of these projects are apparent, historic designation, secondary locations in relation to downtowns, government employees, railroad station renovation and the general need to create a large draw to a redeveloping area.

Conference/Exposition/Trade Centers:

Downtown Los Angeles is well equipped with conference and exposition facilities. The Convention Center located approximately two miles across the CBD from the LAUPT/USPS site, is adding 375,000 square feet of exhibition space which will more than double the current 235,000 square foot facility. With the additional space, the Convention Center is expected to attract larger conventions and trade shows than can be accommodated currently. Total annual attendance is expected to increase from the current 1.5 million annual capacity to over 2 million by 1995.

Conferencing facilities within hotels are abundant in downtown Los Angeles. Of the 13 hotels examined, there are over 251,000 square feet available in 141 meeting facilities. Also located in downtown Los Angeles is the California Mart at 110 E. 9th Street with 64,000 square feet of exhibit space and meeting facilities. The Mart occupies a downtown block and is 13 stories high. The Mart serves fashion wholesale manufacturers and features 67 permanent exhibits. The facility can accommodate trade shows, seminars and exams, and is fashion oriented. Another specialized facility is the Shrine Auditorium and Exposition Hall totalling 60,000 square feet.

In addition to the Los Angeles Convention Center and smaller facilities there are other exhibit centers and meeting places in the outlying areas of Los Angeles. Long Beach, 22 miles south of downtown, has a smaller 115,000 square foot convention center and is currently attempting to double its facilities. If the City Council approves the plans for the addition, Long Beach would have a 230,000 square foot convention center by 1989. In 1985, Long Beach attracted approximately 220,000 delegates and expects 255,000 delegates this year.

Anaheim also has a convention center with over 680,000 square feet of space. Anaheim is 24 miles southeast of downtown Los Angeles and usually attracts 33 million visitors per year. The Convention Center itself had 875,000 convention delegates visiting in 1985. Anaheim Convention Center is also expanding and will have facilities totalling 843,000 if the current proposal is finalized. Anaheim's Convention Center competes with both the Downtown Convention Center and the Long Beach Convention Center for business and trade shows.

Eleven miles from the LAUPT/USPS site, at the Los Angeles International Airport, there are proposed plans for a corporate/convention/conference center. A site has not been selected nor have estimated figures been released but the facility would be considerably smaller than the Downtown Convention Center.

In addition to these conference/convention centers, there are two office projects which are termed "World Trade Centers" in the Los Angeles area. At 350 S. Figueroa in downtown, is an Equitec office building with ten floors totalling 344,000 square feet. It was built in 1975 and currently has 50,000 square feet available at \$24 - \$26 per square foot. Four to ten months free rent are available as incentives for potential tenants. While there are some international businesses located here, there are also dentists' offices, a racquet club and mixed retail shops. In the main concourse area, tenants can use display cases and kiosks, but there are no conferencing facilities on site.

In Long Beach, on July 9th, ground will be broken for Phase One of their "World Trade Center." This is also essentially an office project with some retail. Phase One includes 500,000 square feet in a 27-story office tower, with 75,000 square feet of retail. There are plans for a 450 - 500 room hotel, but the office will be built first. Potential tenants are seen as attorneys and financial users and there is no true international trade theme in the marketing plan of the project. Rents range from \$26 - \$33 per square foot with one year free rent available as a concession for larger users (15,000 - 20,000 square feet).

Convention/conference facilities cannot compete in and of themselves on the LAUPT/USPS site. In conjunction with a hotel and mixed-use project, meeting rooms and small conferencing facilities are necessary.

Museums and the Performing Arts

There are over 25 museums in the Los Angeles area ranging in feature attractions from botanical gardens to neon and kinetic art. Additionally, there are 14 performing arts facilities within the greater downtown area. In the Fall, the Los Angeles Theatre Center opened at 514 South Spring Street. With major financial support from the Community Redevelopment Agency, the 25,000 square foot historic Security Bank Building was renovated with a 99-seat theater, and several small, new theaters in a variety of various seating configurations were constructed on an adjoining parking lot.

The Spring Street area had been deteriorating, with derelicts and drunks inhabiting the sidewalks. In order to assure patrons' safety, the project has its own security. Called the "miracle on Spring Street" by city officials, the new theaters are considered the cultural cornerstone of revitalization efforts along a corridor that was once known as the "Wall Street of the West."

The visual and performing arts industries are very active in the downtown area. The performing arts facilities have seating capacities ranging from 50 to 6,450 and an estimated annual attendance ranging from 3,500 to 588,000. There are 11 museums with a range of exhibition area from 3,200 square feet to 330,000 square feet with estimated yearly attendance ranging from 7,800 to 5,000,000 persons. About 72% of the galleries and 50% of the theaters had been established downtown five years or less. In 1981 an amendment to the Los Angeles Municipal Code (Ordinance 155843) made it legal for artists to reside in commercial and industrial space that otherwise would have been considered substandard housing. This opened up vast amounts of vacant and deteriorating space in downtown lofts and buildings for use by artists for studio and living space.

The combination of low rents and large available spaces prompted an exodus of artists from West Los Angeles who saw the opportunity to consolidate the arts in one place to command international recognition. Such consolidation of the arts has been a key factor in cities that have successfully competed on the world art scene. New York has always been this way. In Chicago three years ago, virtually all of the art galleries moved within a six-month period to the warehouse district.

The decision to move to downtown Los Angeles formed the basis for an enduring sense of community and shared purpose among those who participated. However, progress toward downtown Los Angeles becoming a world arts center has been slower than expected, and rising rents for downtown space are bringing pressure on the marginal theaters and galleries to move back to the West Side or disperse to more reasonably-priced areas. The lack of a large downtown resident population, insufficient patronage for the theaters and galleries from visitors to the downtown area, and poor accessibility of the downtown galleries to one another, are problems for existing galleries. Because the galleries are physically dispersed, visitors, even when they know where to go, have to find parking and then move their cars and find parking again and pay for it again. Frequently visitors do not know where to go. Many smaller galleries are hard to find; they tend to be located behind unlikely industrial and warehouse facades and cannot afford good signage.

Parking is often hard to find and may be prohibitively expensive. Nighttime vandalism on parked cars is a severe problem in some areas. A theater on Boyd Street between Wall and San Pedro reported up to two incidents a week of vandals breaking car windows with a brick in order to reach inside, release the hood latch and steal the battery.

The minibus system is helpful, but those interviewed felt it was not sufficiently publicized for visitors to know how to use it, nor does it serve many of the areas where galleries and theaters are located.

It was felt that many would-be visitors are deterred by the image of downtown as dirty, unaesthetic and a dangerous place to visit alone. The presence of derelicts and vagrants in many neighborhoods is depressing to visitors. Again, this was true of some neighborhoods and not of others, which were more industrial and warehousing. As for danger, several of the people interviewed observed that there is little danger of personal violence in downtown Los Angeles; most of the danger is of vandalism to parked cars. It is a problem not of violent crime but of "opportunism," according to one of the persons interviewed.

A further commonly-sited problem was the rising rent level due partly to the renovation of many buildings in conformance with the earthquake code and the demolition of others. Although rents in some areas have increased tenfold in the past five years, they often began at such a low

level that this is not yet a universal problem. Nevertheless, artists, characteristically on short leases, are finding it increasingly difficult to replace their space.

Several encouraging points were cited. The Temporary Contemporary Art Museum (MOCA) has been an important draw and has benefited those galleries in its vicinity. The annual LACA (Los Angeles Visual Arts Council) tour of the galleries brings many visitors for the first time. Finally, most of those interviewed reported steadily increasing patronage. The question was not whether downtown would succeed in becoming a major center for the arts, but whether some particular galleries could hold out until it did.

The basic problem for visual and performing arts facilities is insufficient foot traffic. The problem is twofold, reflecting in part the scarcity of people living downtown, and in part the scarcity of visitors.

The performing arts, led by the Music Center facilities with its community support and County subsidy, is in a better holding pattern than the visual arts. The optimistic spirit is still intact, but beginning to erode slightly. The basic problems of marketing appear to be of paramount importance since the physical nucleus group is in place.

The problem was aggravated, on the one hand, by the difficulty of locating and getting around from one place to another, and on the other by the serious shortage of complementary attractions (places to dine, places to walk after late theater, etc.)--which comes back again to the insufficient pedestrian traffic.

The artists and gallery people are aware of the marketing problems: low foot traffic, poor physical identification of gallery locations, little effective publicity, poor image of the area in which the galleries are located, lack of effective public transportation to their locations.

A Festival of the Arts Center to market the area's arts and crafts would give financial support to the struggling downtown artists and craftspersons and, at the same time, provide a highly attractive focal point. The LAUPT/USPS could provide the atmosphere and facilities needed, with the Arts Center as a theme for a mixed-use project. While this doesn't seem to be the type of development that would yield the highest return in and of itself, as an additional amenity to the site an art

center may be feasible. Additionally, museum uses are also ideal for inclusion in a mixed-use development. A transportation and/or railroad museum would be a potential idea for theming.

Cultural and Entertainment Centers:

There are numerous entertainment-oriented attractions in and around Los Angeles. Burbank Studios and NBC Studios, 11 miles from the LAUPT/USPS sites, attract visitors for tours of multi-media studios. Tours last two hours and it is estimated that at least 1,000 visitors a week arrive in Burbank to participate in television audience shows and take tours of the studios.

Disneyland is, of course, another big attraction in Anaheim, 35 miles from the LAUPT/USPS sites. There, on 76 acres, families experience fantasy and adventure wandering through seven magical themed lands. Visitors can easily spend eight hours in the park and it is estimated that during the winter on a weekday the park has approximately 7,000 visitors. At peak season during the summer on a given weekend, Disneyland has as many as 65,000 guests.

Closer to the LAUPT/USPS sites, we find major cultural attractions have made a comeback in the downtown area, and may provide additional market support for the LAUPT/USPS site.

Major visitor-generating facilities in the downtown area include the Music Center, the proposed Music Center expansion, the Museum of Contemporary Arts and the Bella Lewitsky Dance Gallery. The Los Angeles Music Center consists of three theaters -- the Dorothy Chandler Pavilion, the Ahmanson Theater and the Mark Taper Forum -- with a total capacity of 6,011 seats. Each venue operates at effective capacity on a year-round basis; that is, approximately seven shows per week including matinees and dark nights. Based on a year-round occupancy factor of 70%, the estimated Music Center annual attendance is 1,530,000 persons.

Since the Music Center is booked at effective capacity, there has been strong community support for expanding the facility. The proposed expansion would occur south of the existing Music Center between First Street, Hope Street and Grand Avenue. The estimated costs for this expansion are \$50 to \$100 million and the timing and likelihood of the expansion are uncertain at this time. The proposed program for this

expansion would be a combination of three theaters similar in scale and purpose to the three existing theaters at the Music Center -- a large theater with 3,000 seats; a mid-size theater with 1,500 seats and a small theater with 700 seats. It is assumed that the Music Center expansion will not occur before 1991. Potential annual attendance is estimated at 1,325,000 persons ultimately, based on seven shows per week in each facility and a 70% occupancy factor.

The Los Angeles Museum of Contemporary Arts (MOCA) is currently under construction at Cal Plaza and scheduled for opening the last quarter of this year. The facility, which consists of approximately 100,000 square feet of exhibit space, will be a major gallery museum offering permanent and special exhibits and featuring art from the 1940s to the present, including paintings, sculpture, architecture, printing and design. The program for MOCA will stress special exhibits prepared by MOCA and important traveling exhibits (estimated at one to three per year). These special exhibits, as well as displays of the permanent collection, will establish MOCA as a major visitor generator. Estimated attendance levels of 700,000 to 800,000 persons annually in the initial years, increasing to approximately one million persons ultimately, are forecasted.

The MOCA organization currently operates a temporary facility, called the Temporary Contemporary, in the downtown area which has been unusually successful and so will not be closed with the opening of MOCA. Attendance to MOCA is expected to come from downtown employees as well as the greater Los Angeles regional market area. Weekends are expected to be important days for attendance at MOCA, representing approximately two times the average attendance of weekdays. At the Temporary Contemporary, nightly attendance has been low; however, the new facility located in the California Plaza project can expect higher levels of evening attendance.

The Bella Lewitsky Dance Gallery, also in Cal Plaza, will be a 1,000-seat theater offering specialized dance programs. The facility is proposed for development by 1988. The organizers of the dance gallery anticipate an ultimate program of approximately 260 performances per year including produced events, co-produced performances and rental performances. Based on a 65% occupancy factor, ultimate annual attendance of 160,000 visitors is estimated.

Off-Price/Wholesale Facilities:

In the area to the east of Los Angeles Street, between 7th and 8th Streets, is the Flower Market. Hundreds of people come here daily to purchase wholesale flowers for restaurants, parties or retail shops. The market area is south of the Artists and gallery district described earlier.

The expanding Garment District, apparel retailing and wholesaling areas are centered on Los Angeles and Main Streets, generally south of Eighth Street. This sector of retailing activity is growing steadily and the area represents Southern California's largest center for high-quality discount-priced apparel. The Garment District can attract clients from as far away as West Los Angeles and the Valley because of the incredible deals available to shoppers. This is true of the Jewelry Mart at 5th and Hill also. The Jewelry Mart is expanding and plans to add 200,000 square feet of offices and an additional 20,000 square feet of retail by 1999.

Two historic architectural landmarks in downtown - the Old May Co. and the Eastern Columbia Buildings - will be linked to form one major commercial venture devoted exclusively to the wholesale marketing of interior furnishings. The project, called Palace Square, will include a design center and mart encompassing the entire block bounded by Broadway, Hill, Eighth and Ninth.

We find that off-price facilities can attract consumers from great distances. But the existing off-price/wholesale market areas are in low rent warehouse neighborhoods. The potential for this use at the LAUPT/USPS site is thus limited unless minimal returns are acceptable to the owners. There is potential to combine this type of use with other more revenue producing uses, utilizing the customer attraction base of the off-price/wholesale use to fuel other potential uses such as restaurants. The problem with this approach though is that it may limit the viability of more upscale retail.

Institutional Uses:

Institutional uses vary in definition from trade schools to government offices. One such example would be the Federal Center planned to break ground next month, across the street from the LAUPT/USPS site. As was mentioned in the issues and opportunities section this will be an 800,000 square foot facility featuring a detention facility and veterans outpatient

ward. This type of use could be considered for the LAUPT/USPS site with the government fulfilling lease obligations at market rents. Because the LAUPT/USPS is a natural extension of the Civic Center, this type of government use would be compatible.

Further in the Central Business District we find uses such as the Fashion Institute of Design, a 60,000 square foot, six story school at Olympic and Grand. This type of use would work for one of the floors in the Post Office Terminal Annex, especially if a trade school complex was established. A bartenders or secretarial school could be on another floor. These users would probably not be able to pay above market rents but would enjoy a location close to downtown with access to transportation and people at the lower end of the income scale.

Athletic Facilities in Downtown Los Angeles:

The YMCA is returning to downtown, after a 16 year absence, four blocks from the original site. The 80,000 square foot complex is located atop the Arco Plaza parking garage at Fourth and Hope. The expected completion date is late September of this year. The facility will include a pool, indoor jogging track, six racquet ball courts, saunas and tanning booths, two gymnasiums, weight rooms, a cafeteria and a pro shop. The YMCA should be the premiere athletic facility in downtown.

There are four private athletic facilities in Downtown Los Angeles, most of which have been in existence since the turn of the century. The California Club is the oldest, most exclusive club in downtown, but has limited athletic facilities. It is located at Sixth and Flower Streets and has a weight room, a track, squash courts and dining facilities. The Johnathan Club, located at Sixth and Figueroa is also one of the older established clubs in Los Angeles with a sister club located at the beach in Santa Monica. The Johnathan Club offers volleyball, racquet ball, a swimming pool, formal dining, informal dining and overnight accommodations for members. The University Club founded in 1903 is located at Sixth and Hope and has a swimming pool, squash courts, paddle tennis courts and a weight room. The best athletic facilities of these private clubs is found at the Los Angeles Athletic Club. There the facilities include an Olympic size swimming pool, basketball courts, racquet ball courts, a track and huge men and women's locker rooms. The facilities are offered in five to six floors at Olive and Seventh Streets.

Private athletic facilities are numerous in downtown and it appears the YMCA is going to be the premiere new public complex featuring the best facilities available. An athletic facility would provide a significant amenity for hotel and office uses and could be accommodated on the LAUPT/USPS site. The Post Office Building may provide an appropriate location for an athletic club taking advantage of available space and parking.

CONCEPTUAL DEVELOPMENT FRAMEWORK

Future growth in the downtown area appears to be in the office, retail and hotel industries. These components should be included in any development that takes place on the sites. It is the composition and development strategy which will differentiate the development alternatives. Any development on the periphery of the Central Business District and in the opposite direction of recent growth must assess its position carefully. If future growth is to be successful on the LAUPT/USPS sites, it will have to create its own internal environment, utilizing the surrounding area's atmosphere but going beyond these areas in scheme and scale.

Three alternative approaches will be used to evaluate the appropriate development program for the LAUPT/USPS sites.

Low Profile Uses - Assuming the market will not support intensive office or retail development, what are some additional uses that could be accommodated within the existing structures, particularly the Post Office Building? These proposed uses currently include merchandise marts, art centers, institutional or trade school and retail outlet uses.

A "low profile" development would reuse the existing structures with minimal changes. The LAUPT site would contain specialty and tourist retail and a moderately priced tourist and business class hotel. The office space developed would be secondary space catering to large users. Parking in all of these uses will be extremely important. The transportation component will play an important role in determining what can be developed, and will help to make the site an active and productive center.

The USPS site would be utilized as an institutional center to include a trade school, an arts center, a merchandising mart or outlet, or support office facilities. The parking structure would remain, giving users easy access and flow.

Conventional/Market Driven Uses - Based on current market conditions and reasonable on-site absorption rates, what is the supportable on-site development?

A conventional use would respond to the market of today, combining the same uses as mentioned above for the LAUPT site, with secondary office at the USPS site. The Terminal Annex would be utilized as an office building with atriums cut through in the center of the structure, shortening bay depths and bringing light to interior spaces. A health club and recreational center could be added at either site, giving employees athletic facilities on site. The Post Office would maintain their retail space on the ground floor.

Catalyst Uses - What unique destinational uses can be incorporated into the development program which would generate market demand in excess of that projected by traditional trend line market analysis of conventional uses?

A catalyst approach would maximize the opportunities on the LAUPT/USPS site in one of two ways. With a cultural anchor and entertainment center combined with the uses mentioned in the conventional scenario, a destination is created with built-in retail support. The LAUPT/USPS site comes alive in the evening as well as weekends. With this maximization the USPS site could be utilized as a merchandise mart or retail outlet as well as secondary office.

The final catalyst scenario would include all uses previously mentioned with a trade center identity. Additionally, prime office could be built to attract international tenants. A business hotel with conferencing facilities would be included in addition to the tourist hotel to further the number of people active on the site. The USPS site would include a trade center exposition showplace in addition to the merchandising mart, retail outlet and secondary office space.

OFFICE MARKET ABSORPTION AND MIXED-USE POTENTIAL

Regional Overview - Office Markets

By aggregating data from all competitive sub markets within Los Angeles County, we find the office inventory totals approximately 107 million square feet at a vacancy rate of 17%. Not all of these sub-markets will compete with the LAUPT/USPS site but it is important to examine the region to identify development trends. The following tables show the breakdown of these submarkets and chart historic absorption patterns in Los Angeles County. The fluctuation of absorption figures is explained by the cyclical nature of the office market. Heavy construction follows periods of low vacancy which results in greater supplies of office space. This is evident in construction activity between 1970 and 1985. Between 1970 and 1975 builders responded to low vacancy rates by constructing approximately 5.4 million square feet annually. Demand only averaged 2.7 million square feet which resulted in a substantial oversupply of office space by 1975. High-rise development fell into the background as a result of the 1974 - 1975 recession and the overbuilt market kept new development of smaller office projects from occurring. The vacant space was absorbed during the late 1970s resulting in substantial pent-up demand by 1979. Construction levels lagged behind this new demand and, as a result, there was an undersupply of approximately two million square feet annually from 1976 to 1981. Vacancy rates came back to four and three percent by 1982 but because of increased levels of construction from 1982 until 1986, there is a large oversupply of office space today in Los Angeles County.

The historical absorption figures show a dramatic increase in leasing during 1982. This is explained by the movement of six major tenants leasing over 2.5 million square feet in the airport and downtown areas. Major tenant relocations and expansions and interim shortages of space, greatly affect absorption within sub markets. Another example of distorted absorption figures is found if we examine actual space requirements. Often, when tenants in the marketplace discover there is an oversupply of office space resulting in low lease rates, they will increase the square footage required for each employee and lease additional space for future expansion.

**INVENTORY OF OFFICE SPACE BY SUBMARKET
LOS ANGELES COUNTY**

<u>Submarket</u>	<u>Existing Square Feet</u>	<u>Occupancy Factors</u>	<u>Percent of Market</u>
Downtown	24,200,000	81%	22.6%
Mid-Wilshire/Park Mile/Miracle Mile	12,052,000	85	11.3
Hollywood/West Hollywood	3,100,000	88	2.9
East San Fernando Valley	2,790,000	85	2.6
Glendale	4,474,000	75	4.2
Beverly Hills	3,523,000	89	3.3
Century City	7,129,000	87	6.7
Westwood	2,349,000	95	2.2
Brentwood/West Los Angeles	3,982,000	80	3.7
Santa Monica	3,560,000	92	3.3
Fox Hills/Marina Del Rey	2,115,000	75	1.2
Airport/El Segundo	12,400,000	83	11.6
Torrance/South Bay	3,564,000	75	3.3
Long Beach	3,796,000	73	3.5
Pasadena	4,700,000	70	4.3
San Gabriel Valley	3,000,000	84	2.8
West San Fernando Valley	7,340,000	86	6.8
Other	<u>3,000,000</u>	<u>85</u>	<u>2.8</u>
 Total	 107,074,000	 83%	 100% ¹

¹Does not add up to 100% due to rounding.

Source: Halcyon Ltd., Economics Research Associates

ABSORPTION OF OFFICE SPACE BY SUBMARKET
LOS ANGELES COUNTY
1977-1984

Area	1977		1978		1979		1980		1981		1982		1983		1984		Annual Averages 1977-1984	
	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent	Square Feet	Percent
Downtown	998,100	34%	374,300	10%	356,400	8%	466,300	10%	1,009,100	18%	1,843,900	25%	1,395,000	22%	450,000	9%	861,600	17%
Mid-Wilshire/ Park Mile/ Miracle Mile	443,900	15%	555,000	14%	443,900	10%	111,000	2%	(539,000)	-9%	164,500	2%	(270,000)	-4%	340,000	7%	223,700	4%
Hollywood/ West Hollywood	43,700	1%	121,600	3%	165,600	4%	49,100	1%	(39,400)	-1%	(75,300)	-1%	50,000	1%	50,000	1%	48,200	1%
East San Fernando Valley	40,400	1%	123,300	3%	292,200	6%	199,900	4%	260,200	5%	161,200	2%	270,000	4%	623,000	12%	246,500	5%
Glendale	42,000	1%	84,000	2%	273,000	6%	159,000	4%	311,000	6%	40,000	1%	220,000	3%	150,000	3%	159,900	3%
Beverly Hills	81,000	3%	83,000	2%	60,000	1%	64,900	1%	45,000	1%	55,000	1%	110,000	2%	75,000	2%	71,700	1%
Century City	581,100	20%	686,600	18%	422,600	9%	158,500	4%	226,600	4%	75,400	1%	190,000	3%	318,000	6%	332,400	7%
Westwood/ Brentwood/ West Los Angeles	92,100	3%	159,800	4%	134,100	3%	121,700	3%	617,200	11%	190,500	3%	890,000	14%	550,000	11%	344,400	7%
Santa Monica	81,600	3%	128,100	3%	327,100	7%	605,600	13%	409,200	7%	197,600	3%	265,000	4%	150,000	3%	270,500	5%
Fox Hills/ Marina Del Rey	37,900	1%	106,200	3%	210,500	5%	123,400	3%	180,900	3%	271,100	4%	36,000	1%	100,000	2%	133,300	3%
Airport/ El Segundo	186,800	6%	329,900	9%	979,700	21%	1,093,800	24%	678,700	12%	2,325,900	31%	1,568,000	24%	850,000	17%	1,001,600	20%
Torrance/ South Bay	18,700	1%	211,000	5%	192,400	4%	239,300	5%	602,700	11%	390,100	5%	350,000	5%	210,000	4%	274,800	5%
Long Beach	33,000	1%	34,400	1%	10,400	--	84,400	2%	220,300	4%	710,900	10%	630,000	10%	295,000	6%	252,300	5%
Pasadena	160,700	5%	344,600	9%	110,100	2%	124,500	3%	380,100	7%	717,500	10%	302,000	5%	245,000	5%	298,200	6%
San Gabriel Valley	35,400	1%	142,300	4%	175,900	4%	201,400	4%	215,600	4%	125,300	2%	72,000	1%	215,000	4%	147,900	3%
West San Fernando Valley	156,400	5%	399,900	10%	567,400	12%	769,800	17%	1,107,700	19%	321,000	4%	410,000	6%	510,000	10%	530,300	10%
Total	3,032,800	101%	3,884,000	100%	4,721,300	102%	4,572,600	100%	5,685,900	102%	7,514,600	103%	6,488,000	101%	5,133,000	102%	5,199,300	102%

*Burbank is included in this figure and absorbed approximately 145,000 square feet this year.

Source: Economics Research Associates

The existing oversupply of office in downtown and throughout Los Angeles County combined with recent high absorption rates implies that pent-up demand has again been largely satisfied and absorption levels should decline in the near future. Supply will continue to outpace demand over the next several years given the nine to ten million square feet of office space under construction currently in the region and absorption levels of only five to six million annually.

Competitive Framework

In order to maximize the office development program on the LAUPT/USPS site, the planned project must compete on a regional scale with other secondary office locations. The site's attributes allow for this scale of competition with selected submarkets. First and most importantly is the transportation system. The LAUPT site is Amtrak's Los Angeles Terminal for intercity rail travel. Additionally, Union Station is a terminal for Metro Rail, the system which just recently received approvals for federal funding. The federal government agreed to contribute 62% of the costs for the Metro-Rail, but the first 4.6 mile run between Union Station and Wilshire/Alvarado will have to be locally funded to prove the community's commitment to the project. The line will loop through Downtown, originating at Union Station and stop twice in the business district. Other considerations include the LAUPT site as a major station for the LACTC light rail system and the regional commuter rail. In conjunction with the existing local and intercity transportation operations, (including SCRTD local buses, the DASH downtown shuttle, Trailways intercity buses and taxi service) and relatively easy access to the regional freeway system, the LAUPT/USPS project offers an exclusive and convenient transportation amenity not available to such a degree in other locations. These regional connections to the LAUPT/USPS site allow for access to a large employee base, a factor major users consider when analyzing office space.

Additionally, the LAUPT/USPS site is unique in its periphery positioning to Downtown. While the thrust of office development in the region has gone to the southwest, there has been considerable emphasis by the Community Redevelopment Agency on the redevelopment of those areas on the outside of the Central Business District to the north and east. The

project on the LAUPT/USPS site should receive support from the city because of their investment in the transportation system and surrounding redevelopment areas. This civic and community support will give the LAUPT/USPS site an advantage in the planning for a successful project.

Another related attribute is the existence and availability of such a large piece of undeveloped land close to the Central Business District. This allows development on a large scale creating critical mass and thus a strong presence to compete with office sub-markets. Furthermore, development will be new and more affordable space will be offered, passing on the low land and development costs to the users. Finally, the mix of uses found on the LAUPT/USPS site, including specialty retail, hotel, cultural facilities and perhaps a health center will create the type of synergy that will be able to attract and maintain office users for extended periods of time. Office is clearly the critical and dominant use which will direct and drive the other uses and generate the employment base, land values and activity necessary to create a successful project.

Market Position

Given the access to transportation, the size of the site, the proximity to the CBD and the proposed mix of uses, the LAUPT/USPS site can compete with office submarkets beyond the downtown. Four submarkets were chosen because of their proximity to the site and their substantial share of the office market in Los Angeles County. The West Los Angeles office market was excluded because of its distance from the LAUPT/USPS site, but it is important to note its growth and strength in the past year. Several factors drove this market including the proximity of good executive housing, convenient freeway access and state-of-the-art development. Those submarkets targeted for examination include the Mid-Wilshire, Park and Miracle Mile area, and the Glendale, Pasadena and Century City markets.

The types of tenants targeted from both the selected submarkets and the downtown area are essentially price-sensitive large floor-plate users who need or desire a Downtown Los Angeles address with access to the CBD and Civic Center but don't require immediate physical adjacency to the financial center. In addition to these large users, a substantial share of tenants are in the 2,000 to 5,000 square foot range, coming from competing submarkets. These tenants are characterized in the competitive submarket discussion below.

Mid-Wilshire/Miracle Mile Area/Park Mile

These areas combined include over 13 million square feet of office space. The Mid Wilshire area has experienced a steady flow of occupants both to and from the area. Smaller service companies such as advertising agencies and insurance companies are beginning to fill the void left by the departure of some larger corporations to Glendale and Pasadena. Depending on amenities, location and age of the buildings, rents in the Mid-Wilshire area average \$17 but range from a low of \$13.20 to a high of \$24. In 29 structures in the Mid-Wilshire area, the vacancy factor stands at about 24% or 1.9 million square feet available of a total of 7.7 million square feet. Concessions have been in the range of 10 to 14 months free rent given, with liberal improvement allowances. The Mid-Wilshire area is generally considered to be a secondary location with secondary buildings.

The Park and Miracle Mile areas make up the remaining three million square feet of space. The Miracle Mile area is that section of Wilshire bounded by La Brea on the east and San Vicente on the west. The area has undergone a renaissance since 1981 and is emerging as a major market. The old Prudential building has been renovated and a new project at 5757 Wilshire called Museum Square adds 600,000 square feet to the market. Wilshire Courtyard adds one million square feet in two 6-story buildings and as a result of this new growth vacancies are high at about 25%. Rental rates in the Miracle Mile area are averaging approximately \$22.

Park Mile is that strip of Wilshire bounded by Wilton on the east and Highland on the west. This 16 to 18 block strip has special zoning ordinances because it abutts Hancock Park. These ordinances specify no retail can be built facing Wilshire and all parking must be subterranean. Vacancies are a little lower in this area at about 15%, but rental rates are very close to those in the Miracle Mile area, at \$22.

If the LAUPT/USPS site were to capture only 70% of its fair share, or 10% to 11% of the annual absorption of the Mid-Wilshire, Park/Miracle Mile area annually, this would constitute approximately 24,000 square feet per year of absorption for the LAUPT/USPS site.

SELECTED CHARACTERISTICS OF SECONDARY OFFICE BUILDINGS IN MID WILSHIRE

LOCATION	TOTAL LEASABLE AREA (square ft)	AGE	STORIES	VACANCY RATE	LEASE RATE*	TERMS	TENANT MIX	USER PROFILE	TARGET TENANTS	TRENDS
Getty Union Bank 3810 Wilshire Blvd.	305,000	1963	22	39%	\$19.80	3-10 yrs.	°Union Bank °Law firms °Printing Co. °Construction °Insurance	3-5,000 sq. ft °Law firm °Insurance Co. °All others require approximately 3,000 sq. ft.	Professional Service Providers	Changing since Getty moved - no longer oil industry oriented (moved Aug.-Sept. 1985) Professionals being sought
Equitable Plaza 3435 Wilshire Blvd.	623,000	1969	30	5-6%	\$21.00	3-5 yrs.	°Insurance °Law °Advertising °Retail °2 Banks °Employment	°Insurance - 3-5,000 sq. ft °Law - 3-5,000 sq. ft °Advertising - 20,000 sq. ft	None	Most tenants are law or insurance companies wishing space to expand. Most calls are received from tenants within a 1 mile radius wishing to find space in this same area.
California Life Building 3255 Wilshire Blvd.	188,000	1972	18	11%	\$16.20	5 years	°Insurance °CPAs °Legal firms °Financial firms	°Insurance 2-3,000 sq. ft °CPAs 2,000 sq. ft.	Professionals, Insurance	Insurance clientele is constant.
*Lease rates expressed in gross and annual terms unless otherwise indicated.										

SELECTED CHARACTERISTICS OF SECONDARY OFFICE BUILDINGS IN MIRACLE MILE

LOCATION	TOTAL LEASABLE AREA	AGE	STORIES	VACANCY RATE	LEASE RATE*	TERMS	TENANT MIX	USER PROFILE	TARGET TENANTS	TRENDS
Ticor Building 6300 Wilshire	360,000	1971	21	2%	\$22.00, ground floor \$19.00 NNN	3-5 yrs.	*Ticor- 50% of space *Law *Communications *Insurance *Advertising *Retail	1-2,000 sq. ft. for law, insurance, advertising	*Corporate *Law *Travel or other public service agencies that attract people to the building	Law-wishing to expand are latest tenants
California Federal Savings 5670 Wilshire	311,000	1965	27	fully occupied	\$22.80	1-5 yrs.	85% Calif. Fed. Savings *Advertising *Medical *Financial *Sales firms *Travel Agency *Cal. State Comm. College	Varies from 366-8,000 sq. ft. Adv.-1,000s. f. Medical-1,000 Sales-1,000 Travel-2,000 Calif. Comm. Col.-8,000	Services for California Federal Savings	Building new tower next door will transfer services for Calif. Fed. there and will open leasable space in this building.
Museum Square 5757 Wilshire	600,000	1982 Rehab.	10	6%	gross \$21.00	5 years	*Advertising *Insurance *Financial *State Offices	*Adv.-50,000 *Ins.-50,000 *Fin.-5,000 square feet	Professional, specifically advertising	Advertising agencies are common in area, more are moving in.
*Lease rates expressed in gross and annual terms unless otherwise indicated.										
Source: The Wilshire Organization; July, 1986										

SELECTED CHARACTERISTICS OF SECONDARY OFFICE BUILDINGS IN PARK MILE

LOCATION	TOTAL LEASABLE AREA	AGE	STORIES	VACANCY RATE	LEASE RATE*	TERMS	TENANT MIX	USER PROFILE	TARGET TENANTS	TRENDS
Aames Home Loan Bldg. 4311 Wilshire	98,000 sq. ft.	1968	6	24%	\$17.40	3-5 yrs.	°Law °Insurance °Personnel °Digital Corp. °Advertising °Aames Home Loan Ins.	°Law-2,000 s.f. °Ins.-2,000 °Bus.-2,000 °Digital Corp.-22,000 sq. ft. °Aames-21,000	Lawyers	Majority of tenants have residences within area. Lawyers like proximity to Beverly Hills and downtown Courts
Harbor Insurance Building 4201 Wilshire	240,000 sq. ft.	1955	6	10%	\$18.00	5-10 yrs.	°Harbor Ins. °Insurance firms °Legal firms °Banks	°Ins.-7-15,000 square feet °Law-2-6,000 °Banks-10,000	Insurance, Law	Insurance, Legal moving in
Massachusetts Mutual Life Bldg. 4401 Wilshire	38,000 sq. ft.	1963	6	10%	\$18.00	1-5 yrs.	°Appraisers °State offices °Legal firms °Insurance Companies	°Mass. Mutual Life-2,500 s.f. °All other offices btwn. 1-2,000 sq.ft.	Support services or those companies compatible with Mass. Mutual Life	Support services for insurance companies
*Lease rates expressed in gross and annual terms unless otherwise indicated.										

Glendale and Pasadena

The Glendale office market is comprised of approximately 4,474,000 square feet in 40 buildings. The redevelopment agency of Glendale has pushed to create a downtown working center within the city to replace the perspective of Glendale as merely a nearby residential suburb to Downtown Los Angeles. The redevelopment agency has had some success but vacancy rates have been reported in the low to mid 20% range because of the recent project coming on line. Rental rates average about \$19 per square foot annually. Under construction is Glendale Square with two 12-story office towers totalling more than 657,000 square feet. The first tower is scheduled for occupancy in the Fall of 1987. A former airport in Glendale, the Grand Central Air Terminal, built in 1929, is being developed into a modern business center. The art deco terminal, which resembles Union Station and the Terminal Annex buildings, will soon have two million square feet of business and industrial space to add to the Glendale supply.

It is estimated that the LAUPT/USPS site could effectively compete with projects in Glendale and thus should be able to capture 90% of its fair share absorption or approximately 22,000 square feet. This represents 13% to 14% of Glendale's average annual absorption of 160,000 square feet.

Pasadena, like Glendale, is another example of a Downtown Los Angeles suburb viewed as a bedroom community. While growth in the office market has occurred in Pasadena totalling 4,700,000 square feet, it is not viewed as a prime office location. But where Glendale captures employee intensive clerical firms such as Aetna Life and Security Pacific, Pasadena attracts engineering, advertising, architectural and law firms. Pasadena is considered as having a more sophisticated office market. Vacancy rates are in the 27% range. Market penetration for Pasadena is estimated to be in the 80% range thus making the fair share of annual absorption in the 12% range or 36,000 square feet.

SELECTED CHARACTERISTICS OF SECONDARY OFFICE BUILDINGS IN GLENDALE

LOCATION	TOTAL LEASABLE AREA	AGE	STORIES	VACANCY RATE	LEASE		TENANT MIX	USER PROFILE	TARGET TENANTS	TRENDS
					RATE	TERMS				
Arden Square Founders Financial	25,000 sq. ft.	1976	2	3%	\$19.20	3 years	<ul style="list-style-type: none"> *Civil Service Inc. *S. Calif. Presbyterian *American Cancer Soc. *Small businesses *Private Associations 	<ul style="list-style-type: none"> *Civil Service Ins.-2,500 *S. Ca. Pres.-2,500 *Bus. Assoc.-500-1,500 	Small Businesses	Small Businesses
Home Savings 620 N. Brand Blvd	41,100 sq. ft.	1972	6	fully occupied	N/A	N/A	<ul style="list-style-type: none"> *Legal *Jewelers *Bank *Insurance *U.S. Gypsum 	<ul style="list-style-type: none"> *Bank-6,000 sq. ft. *U.S. Gypsum-12,000 sq. ft. *Insurance-1-3,000 sq.ft *Legal-1-2,000 sq.ft 	Professional: legal, insurance, financial firms	Usually occupied
Glendale Financial Square 225 Broadway	120,000 sq. ft.	1981	6	7%	\$22.80	3-30 yrs for major tenants; 3-5 for others	<ul style="list-style-type: none"> *Crocker Bank *E.F. Hutton *Home Federal Savings *Legal *Businesses *Retail 	<ul style="list-style-type: none"> *Anchor tenants - 10-20,000 sq.ft. *Legal - 2-5,000 sq.ft *Businesses-2-5,000 sq.ft 	Professionals, Financial	New attorneys under 1,000 sq. ft. are common

Century City

Century City grew in the 1960s as a result of the overcrowding and limited expansion space in the Central Business District. Today, Century City is made up of 7,129,000 square feet in 18 buildings. Century City has been a desirable location for law firms, insurance companies and other professional and service oriented tenants. Many downtown businesses have satellite offices located in Century City for convenience. Recently, this convenience has been questioned; Century City has had difficulty achieving maximum occupancy rates because of growing traffic congestion, excessive parking costs and a poor location in relation to the freeway system. But Century City still commands a respectable reputation that Downtown Los Angeles proper does not have. Rental rates have remained high, in the \$23 to \$25 range and vacancy rates are near 13%, still substantially below other submarkets.

Projected market penetration in Century City for the LAUPT/USPS is lower than for other submarkets because of the proximity of Century City to the thriving and dynamic West Los Angeles office market. Sixty percent of the fair share absorption of Century City would yield 30,000 square feet of office space annually for the LAUPT/USPS site or 9% of Century City's 332,000 square foot annual absorption.

Downtown Los Angeles

The LAUPT/USPS site will have a difficult time in the early years competing with better located primary offices in the downtown financial district. A list of existing primary office buildings follows, as well as buildings under construction and those planned for Downtown. These charts show that of the 24.2 million square feet of office in Downtown 18 million is primary office space. If all planned projects along with those currently under construction are completed, Los Angeles would grow by an additional 10 - 14 million square feet in primary office space over the next six to eight years. Primary office space is defined primarily by location in the Central Business District and by rental rates in the \$24 to \$34 range.

PRIMARY OFFICE SPACE SUMMARY/DOWNTOWN LOS ANGELES
May 1986

Year Built	Building Name	Total S.F.	Available S.F.	% Leased	Asking Rent SF/YR	
1987	1000 Wilshire	452,000	180,000	60%	\$27.00	\$33.00
	Biltmore Place	405,000	305,000	25%	\$26.00	\$32.00 (\$29-\$38 yrs 6-10)
1986	1100 Wilshire Bldg	321,000	180,000	44%	\$25.00	\$33.00
	Chase Plaza	446,923	269,900	40%	\$24.00	\$33.00
	Crown Plaza	91,575	86,075	6%	\$25.00	\$32.00
	Wilshire Bixel Bldg	278,187	49,387	82%	\$24.00	---
1985	California Plaza	936,846	509,000	54%	\$18.00	\$25.00 NNN
	Citicorp Plaza	895,000	265,000	70%	\$23.00	\$27.00 NNN
	Figueroa Plaza	307,558	200,000	35%	\$21.00	\$23.00 NNN
	International Plaza	412,161	200,000	51%	\$24.00	\$28.00
1983	Crocker Center	2,263,288	230,000	90%	\$26.00	\$28.00
1982	400 South Hope	660,000	0	100%	\$29.00	\$34.00
	Manulife Bldg.	391,000	0	100%	\$28.00	\$33.00
1981	International Jewelry Center	370,595	79,707	79%	\$24.00	\$27.00
	Wells Fargo Bank Bldg	893,979	15,000	98%	\$32.00	---
	Wilshire Grand Bldg	274,000	0	100%	\$28.00	\$30.00
1979	911 Wilshire Bldg.	372,000	50,000	87%	\$22.00	\$28.00
	Los Angeles World Trade Center	301,000	50,000	83%	\$24.00	\$28.00
	Security Pacific Plaza	1,400,000	278,000	80%	\$29.00	\$34.00
1973	770 Wilshire Bldg.	100,174	22,948	82%	\$24.00	\$28.00 (yrs 6-10)
	Broadway Plaza	626,000	0	100%	\$28.00	\$30.00
	First Interstate Bank HQ Bldg.	1,001,850	21,154	98%	\$32.00	\$34.00
	Linder Bldg.	101,000	2,663	97%	\$25.00	\$32.00 (yrs 6-10)
	Pacific Financial Center	218,000	50,000	77%	\$27.00	\$32.00
1972	Arco Plaza	<u>2,272,605</u>	<u>32,000</u>	99%	\$31.00	\$34.00
	Subtotal	15,761,741	3,075,834			

PRIMARY OFFICE SPACE SUMMARY/DOWNTOWN LOS ANGELES
May 1986

Year Built	Building Name	Total S.F.	Available S.F.	% Leased	Asking Rent SF/YR	
1971	800 Wilshire Bldg.	216,173	0	100%	\$28.00	\$30.00
1968	AT & T Center	715,000	150,000	79%	\$24.00	\$28.00
1967	Union Bank Bldg.	607,822	15,500	97%	\$27.00	---
1966	Peck-Norman Bldg.	68,893	0	100%	---	---
1963	655 South Hope Bldg.	80,000	80,000	0	\$26.00	\$30.00
1956	Bank of California Bldg.	136,064	0	100%	---	---
1955	Bank of Tokyo	101,000	0	100%	---	---
1949	Lloyds Bank Bldg.	407,211	39,000	90%	\$24.00	---
1931	One Bunker Hill	224,000	60,000	73%	\$26.00	\$29.00 (yrs 6-10)
1926	Fine Arts Bldg.	105,600	13,000	88%	\$24.00	\$26.00
	Pacific Mutual Bldg.	<u>439,000</u>	<u>45,000</u>	90%	\$24.00	\$26.00 (\$29.00 yrs 6-10)
Subtotal:		3,100,763	402,500			
Grand:		18,862,504	3,473,334			

Source: Halcyon Ltd

CHARACTERISTICS OF PRIMARY OFFICE PROJECTS UNDER CONSTRUCTION

<u>BUILDING NAME/LOCATION</u>	<u>ESTIMATED</u>	<u>STORY</u>	<u>TOTAL</u>	<u>PRELEASING</u>		<u>ASKING</u>	<u>COMMENTS</u>
	<u>COMPLETION</u>	<u>HEIGHT</u>	<u>NRA</u>	<u>SQUARE FEET</u>	<u>PERCENT</u>	<u>RENT</u>	
1. 1000 Wilshire 1000 Wilshire	March 1987	21	452,000	272,000	60	\$27-\$33.00	Los Angeles; first "Post Modern" office building. Design by Kohn Pederson Fox. Tenants include Coast Savings, Loeb & Loeb, Main Hurdman, Touche Ross. Owner is Reliance Corporation.
2. Chase Plaza SWC 8th & Grand	Summer 1986	22	446,923	178,769	50	\$24-\$33.00	Design by Gin Wong. Chase Manhattan is lender and anchor tenant. Other tenants include McLaughlin & Irvin, Morgan, Lewis. Developer is Treptow. Good quality building in secondary location.
3. Biltmore Place SEC Grand Ave & 5th	February 1987	24	405,000	101,250	25	\$26-\$32.00	Office addition to Biltmore Hotel. Limited area of high-rise floors (7,500 to 9,700 SF) may hurt market ability. Tenants include Leasehold Technology Group and IES Mart, Inc. Developer is Westgroup. Small floor plates, different type of building, appealing to smaller end of market.
4. Crown Plaza 627 S. Olive St.	Summer 1986	9	91,575	5,495	6	\$25-32.00	Small building in peripheral location marketed to small professional firms. Developer is English and Continental Property Holdings, Inc.
5. WCI Building 1100 Wilshire Blvd.	1986	38	321,000	141,240	44	\$25-30.00	Located one block west of Harbor Freeway. Good views of CBD, building design by A.C. Martin elicits strong reaction. Has 11 levels of above grade parking. Majority of leased area to subsidiary interests of developer, J.C.G.
TOTALS			1,716,498	697,954	41 committed		

CHARACTERISTICS OF PROPOSED PRIMARY OFFICE CONSTRUCTION

<u>BUILDING NAME/LOCATION</u>	<u>CURRENT STATUS</u>	<u>SIZE (NRA)</u>	<u>ESTIMATED COMPLETION DATE</u>	<u>COMMENTS</u>
1. Citicorp II	Highly probable	843,000	1st Half 1989	Future phases of Oxford Development project. First portion of retail component including May Co. recently opened. Bullocks to open late summer.
2. Citicorp III Block bounded by 7th St., Figueron St., 8th St., & Harbor Freeway	Probable	894,000	2nd Half 1991	
3. Cal Plaza II	Highly probable	1,500,000	2nd Half 1990	Tower I now approximately 54% leased, but some leases weak.
4. Cal Plaza III Both sides of Olive St. North of 4th St.	Probable	940,000	2nd Half 1992	Tower II will require approximately 500,000 SF preleased prior to start. Equity available for deals over 100,000 SF
5. Home Savings NEC Figueron & 7th St.	Highly probable	230,000	1st Half 1989	Outstanding small site. Home Savings to occupy approx. 15%.
6. Library Square NEC Hope & 5th St.	Probable	1,300,000	2nd Half 1990	A Maguire/Thomas Partners project. At 73 stories, would be tallest office building in Los Angeles. Site is being cleared, could begin with adequate pre-leasing. Several deals in works which could accelerate start date.
7. Mitsui NWC Wilshire & Figueron	Probable	900,000	2nd Half 1991	Possibly the best remaining office site downtown. Patient long term investor developer. At one time in serious negotiation with Manufacturer's Hanover as anchor tenant.
8. Transpacific Block bounded by Harbor Fwy, Ingraham, Bixel & 7th st.	Highly Probable	650,000	1st Half 1989	On west side of freeway opposite Citicorp Plaza and Reliance project. Experienced developer. Financing in place pending commitment by lead tenant. No below grade parking, so will go up fast.

9. Manulife	Probable	670,000	Albert C. Martin design, 35 stories, red granite exterior. Awaiting major tenant to break ground. At southerly tip of current financial district. Owner's agreement with CRA requires start by late 1987.
Block bounded by 9th St. Figueroa St., Francisco & 8th Place (Ext. of Pantry)			
10. Alpha Omega	Probable	450,000	Site is westerly portion of block abutting east side of Harbor Freeway across from Citicorp Plaza. Lack of corner could be a significant negative.
South Side of 8th St. at Harbor Freeway			
11. Figueroa Plaza II	Probable	304,000	Secondary location north of Financial district. First phase leasing poorly.
NWC Diamond & Figueroa			
Subtotal		8,681,000	
12. Financial Place	Uncertain	950,000	Located south of existing Financial District.
SEC 9th & Figueroa St.			
13. Grand Place	Uncertain	1,379,000	Maguire-Thomas Project which would follow the completion and leasing of their Library Square office tower.
NEC 5th & Grand			
14. Pershing Center	Uncertain	700,000	Fronts Pershing Square. Site has been cleared. A 350 room hotel also planned. David Houk is developer.
NEC 5th & Olive St.			
15. Pacific Lighting	Uncertain	1,500,000	Pacific Lighting/Gas Co. is developer. Tentative plans call for 500 room hotel. Project would be multiphased with first phase primarily owner user.
Block bounded by 8th, Flower, 9th & Hope Sts.			
Subtotal		4,529,000	
TOTAL		13,210,000	

Note: Although information is based on sources considered reliable, estimated completion dates for proposed projects are somewhat subjective to nature and may change as market conditions change.

Source: Halcyon Ltd. and Cushman & Wakefield.

SECONDARY OFFICE SPACE SUMMARY/DOWNTOWN LOS ANGELES
May 1986

Year Built	Building Name	Total S.F.	Available S.F.	% Leased	Asking Rent SF/YR	
1984	Cal Pacific Center 977 N. Broadway	66,000	0	100%	\$21-27	
	Alpine Tower Village & Alpine Sts	55,000	27,500	50%	Condominiums. Owners ask different rates.	
	California 1st Bank 120 S. San Pedro	60,000	25,200	58%	\$21	
1983	Sheraton Grande Office Bldg	44,821	5,918	87%	\$22.00	\$24.00
1982	Mitsui Bldg 2nd & San Pedro Sts.	36,000	0	100%	\$19 NNN	
	808 Tower	10,500	45,250	50%	\$7.80-\$30 NNN (depending on improvements)	
	800 Figueroa 800 South Hope St.	126,256	13,400	89%	\$22.00	\$23.00
	Building	231,000	0	100%	\$18.00	---
	Beaudry Center I	890,000	0	100%	\$20.00	---
1979	The Park	243,000	23,000	95%	\$25.00	\$26.00
1978	Credit Union Plaza Figueroa & Temple NEC	44,000	3,250	92%	\$21.00	
	Bunmeido Bldg 303 2nd St.	7,000	350	95%	\$24	
1970	Civic Center Law Bldg (3 bldgs) SWC 2nd/Broadway	176,000	8,800	95%	\$15.60	
1968	City National Bank One Wilshire Bldg.	264,006 569,439	45,000 6,700	83% 98%	\$21.50 \$20.00	--- \$24.00
1967	Kajima Bldg. 316 E. 2nd	100,000	0	100%	\$24 NNN	
1966	State Mutual Savings Bldg.	143,376	284	99%	\$22.00	---
1960	First Interstate Bank Building 600 S. Spring St	235,000	82,250	65%	\$18	
	Subtotal	3,381,398	287,172			

SECONDARY OFFICE SPACE SUMMARY/DOWNTOWN LOS ANGELES
May 1986

Year Built	Building Name	Total S.F.	Available S.F.	% Leased	Asking Rent SF/YR
1960	615 S. Flower Bldg.	307,025	150,000	51%	\$22.00 ---
1958	611 Wilshire Bldg.	166,000	75,000	55%	\$20.00 \$24.00
1929	Pacific Stock Xchnng 618 S. Spring St.	60,000	60,000	0%	\$12.00-in renovation
1928	510 Building 510 W. 6th St.	219,000	32,850	85%	\$16-\$19
	Oviatt Bldg. 617 S. Olive St.	92,018	28,275	69%	\$20.00
1926	Roosevelt Building 727 W. 7th St.	284,000	59,640	79%	\$15.00
1925	Bank of America 605 S. Spring St.	400,000	180,000	55%	\$6.00
	Subway Terminal 417 S. Hill St.	300,000	99,000	67%	\$17 for 5 yrs \$22 after 5 yrs
	Petroleum Bldg. Flower & Olympic	167,000	0	100%	Owner occupied
1924	Barker Bros. 818 W. 7th	250,000	175,000	30%	\$20.24
	Seventh & Hope Bldg.	189,600	30,000	95%	\$18.00 \$24.00 (yrs 6-10)
1923	609 South Grand	109,216	2,000	96%	\$19.20 \$24.00
1917	Crocker Bank 453 S. Spring St.	170,000	42,500	75%	\$9.60
1916	Olive Center 643 S. Olive	60,000	7,200	88%	\$18.00
1904	Standard Oil Hope & Olympic	140,000	0	100%	Owner occupied
1903	Banco Popular 354 S. Spring St.	102,000	0%	100%	\$7.80-15/90% at \$8.10
1893	Bradbury Building 304 S. Broadway	70,000	18,900	73%	\$15 upper/\$48 ground
	Subtotal	3,085,859	960,615		
		3,381,398	287,172		
		6,467,257	1,247,787		

Source: Halcyon Ltd

CHARACTERISTICS OF SELECTED SECONDARY QUALITY OFFICE BUILDINGS
DOWNTOWN LOS ANGELES

LOCATION	TOTAL LEASEABLE AREA	YEAR BUILT	NUMBER OF STORIES	VACANCY RATE (IN %)	LEASE RATE ^A	TERMS	TENANT MIX	TYPICAL USER PROFILE	TARGET TENANTS	TRENDS/ COMMENTS
510 Building 510 W. 6th Street	219,000	1928	12	15	\$16-19	5-10 yrs	law - (75%) financial-(27%) airlines-(19%) insurance-(27%) architects etc.	Professional service related tenant averaging 4,900 square feet	small professional firms averaging 4,000+ square feet	None
Subway Terminal 417 S. Hill Street	300,000	1925	12	33	\$17 for 5 yrs. \$22 after 5 yrs.	5-10 yrs	*law firms *insurance *attorneys *ITT *architects *construction *related professions	law firm averaging 2,000	insurance/ defense law firms - within walking distance	Telecommunica- tions firms attracted to this location because of access to Pacific Bell's switchroom
Roosevelt Building 727 W.7th St.	284,000	1926	12	21	\$15.00	5 years	*law firms *travel agencies *communication firms *employment agencies	most firms (90%) occupy an average of 2,000 square feet		expanding legal profession

CHARACTERISTICS OF SELECTED SECONDARY QUALITY OFFICE BUILDINGS
DOWNTOWN LOS ANGELES

LOCATION Downtown Core	TOTAL LEASEABLE AREA	YEAR BUILT	NUMBER OF STORIES	VACANCY RATE (IN %)	LEASE RATE ^a	TERMS	TENANT MIX	TYPICAL USER PROFILE	TARGET TENANTS	TRENDS/ COMMENTS
Olive Center 643 S. Olive	60,000	1916 being renova- ted)	10	12	\$18 per	5 years; 6 mos rent tenant improve- ments \$15 sq ft	30% legal jewelry - 20% mixture of airlines professional associations and travel related servs.	legal firms averaging 3,500 square feet jewelry-related business averaging 4,200 square feet	tenants in the legal profession and the jewelry wholesale industry	jewelry wholesale tenants in need of 1,500+ square feet
Barker Bros. 818 W. 7th	250,000	1924	12	70	\$20.24	5-10 yrs	FIDM. -60,000 YMCA -8,000 GG University -25,000 Hammerson Properties -2,000 State Bar -14,000 Retail Space -28,000	retail tenant averaging 1,000 square feet	any business in the apparel or financial - related industries	Just began leasing space

CHARACTERISTICS OF SELECTED SECONDARY QUALITY OFFICE BUILDINGS
DOWNTOWN LOS ANGELES

LOCATION	TOTAL LEASEABLE AREA	YEAR BUILT	NUMBER OF STORIES	VACANCY RATE (IN %)	LEASE RATE ^a	TERMS	TENANT MIX	TYPICAL USER PROFILE	TARGET TENANTS	TRENDS/ COMMENTS
Crocker Bank 453 S. Spring St.	170,000	1917	12	25	\$9.6	1 - 5yrs	CPA's Attorneys Wholesale Jewelers Civil Engineers Import/Export Business Skill Center	200-5000 sq ft	Professional office user of 3,000 - 5,000 square feet	None
Bank of America 605 S. Spring Street	400,000	1925	12	45	\$6.0	1-5years	Law firms Brokerage firms General office	*Law firms ranging from 300 to 2,000 sq ft *6,000 for brokerage firm *300 to 3,000 for small professional service firms	General office users	Largest office complex on Spring street; difficult to attract tenants to the area
Pacific Stock Exchange 618 S. Spring Street	60,000	1929	11	vacant (under- going renova- tion)	\$12.00	5 years			Entertainment related and support services businesses	None

**CHARACTERISTICS OF SELECTED SECONDARY QUALITY OFFICE BUILDINGS
DOWNTOWN LOS ANGELES**

LOCATION	TOTAL LEASEABLE AREA	YEAR BUILT	NUMBER OF STORIES	VACANCY RATE (IN %)	LEASE RATE*	TERMS	TENANT MIX	TYPICAL USER PROFILE	TARGET TENANTS	TRENDS/ COMMENTS
	<u>Downtown South</u>									
Standard Oil NWC Hope & Olympic	140,000	1904	8							
Petroleum Building SWC Flower & Olympic	167,000	1925	11	90% - 100% owner-occupied including: *Union Bank Computer Center (80,000 square feet) *Coast Federal Savings (215,000 square feet) *Transamerica/Occidental Petroleum (1,100,000 square feet)						
	<u>Downtown North</u>									
Credit Union Plaza NEC Figueroa & Temple	44,000	1978	4	8	\$21	5 years	legal - 25% various professionals - 15% credit union - 60%	legal space 1,200 sq ft to 2,500 sq ft various professionals 1,500 (i.e. DWP)	Professionals dealing with DWP such as Consultant, Lawyers, Engineers, Architects, etc.	Lawyers moving in because its close to court

**CHARACTERISTICS OF SELECTED SECONDARY QUALITY OFFICE BUILDINGS
DOWNTOWN LOS ANGELES**

LOCATION	TOTAL LEASEABLE AREA	YEAR BUILT	NUMBER OF STORIES	VACANCY RATE (IN %)	LEASE RATE ^A	TERMS	TENANT MIX	TYPICAL USER PROFILE	TARGET TENANTS	TRENDS/ COMMENTS
First Interstate Bank Building 600 S. Spring Street	235,000	1960	18	35	\$18	5 years	*Legal firms *Engineering firms *Title Company *Travel Agency *Freight firms *Credit Union	*Legal - 11,000 *Engineering - 22,000 *Most are full floor users, i.e. 11-12,000 square feet	General office users	
<u>Downtown West</u> All are owner-occupied *Computer center Bank of America - 1000 W. Temple Street (700,000 square feet) - 1978 *Accountants Cooper & Lybrand - 6th and Beaudry Street (93,000 square feet) - 1976 *Telecommunications - Pacific Bell - 1010 Wilshire Blvd (268,500 square feet) - 1974 *Oil - Union Oil Center - 5th and Boylston Streets (360,000 square feet) - 1958										

**CHARACTERISTICS OF SELECTED SECONDARY QUALITY OFFICE BUILDINGS
DOWNTOWN LOS ANGELES**

LOCATION	TOTAL LEASEABLE AREA	YEAR BUILT	NUMBER OF STORIES	VACANCY RATE (IN %)	LEASE RATE ^A	TERMS	TENANT MIX	TYPICAL USER PROFILE	TARGET TENANTS	TRENDS/ COMMENTS
OVIATT BLDG. 617 South Olive Street	90,000 92,018	1928 (reno- vated in 1979)	13	31%	\$ 20.00	5 Years	Attorneys - Most 25% CPA's - 25% Los Angeles Bar Association has two (2) floors. Insurance	1,300 Sq.Ft. - Law 2,000 - P. R. 2,000 - CPA 1,300 - Retail Headquarters	- Advertising - Clothing Showrooms - P. R. Firms	Would like to attract more reta tenants in the 1,000 - 1,300 Sq. Ft. range
EAST DOWNTOWN:										
BRADBURY BUILDING 304 South Broadway	70,000	1893 (reno- vated in 1975)	5	27%	\$ 15.00 for upper floors \$48.00 for ground floor	5 Years upper floors 10 Years ground floor	Attorneys - 70% Upstairs Retail - Down- stairs - Bridal Shop - Electronics - Dry Goods	8 - 1,200 Legal Retail 800 - 2,500 Sq. Ft.	- Lawyers - Architects	New mnagement would like to retain professiona
BANCO POPULAR 354 South Spring Street	102,000	1903 (reno- vated in 1978)	8	Fully Occupied	\$7.80-15; 90% of Space at \$ 8.10	10 Years	Bank - first floor CPA - upper floors (85,000 Sq. Ft. - Shipping Co. - Credit Union - Travel Agency	Local Government Agency	N/A	N/A

CHARACTERISTICS OF SELECTED SECONDARY QUALITY OFFICE BUILDINGS
DOWNTOWN LOS ANGELES

LOCATION	TOTAL LEASEABLE AREA	YEAR BUILT	NUMBER OF STORIES	VACANCY RATE (IN %)	LEASE RATE*	TERMS	TENANT MIX	TYPICAL USER PROFILE	TARGET TENANTS	TRENDS/ COMMENTS
Chinatown										
California Pacific Ctr. 977 N. Broadway	66,000	1984	5	Fully Occupied	\$21-27	2 years	*Law offices *CPA's *Travel Agency *DWP offices *Bank	1,200 square for typical tenant	All professional	None
808 Tower	10,500 per store	reno- vated in 1982	9	50%	\$7.80 to \$30 NNN (depend- ing on improve- ments)	2 years	CNH 2 stores at rented a professionals i.e. lawyers, accountants 1 story - atty eng. Omni Book-3,000 Accountant Developing Co. Insurance Broker & Financial Consultants Misc. Offices	500 sq. ft. for average	All professional in the CBD	None
Alpine Tower Village & Alpine Sts.	55,000	1984	5	50%	Condominiums; Owners charge different rates 1 and 2 floor commercial 3 - 5 office floors		Retail stores (1 - 2 floors) (3 - 5 floors) *Lawyers *Accountants *Investment Counselors *Import/Export Business *Attorneys 800 sq ft on the average	800 sq. ft on the average	*Specialty shops *Support service firms for the legal profession	Legal office market in the range of 800 - 1,500 square feet is expanding

*Lease rates are quoted on a yearly and
gross basis unless otherwise indicated

Source: The Wilshire Organization, July 1, 1986; The Russell Company, 1982

CHARACTERISTICS OF SELECTED SECONDARY QUALITY OFFICE BUILDINGS
DOWNTOWN LOS ANGELES

LOCATION	TOTAL LEASEABLE AREA	YEAR BUILT	NUMBER OF STORIES	VACANCY RATE (IN %)	LEASE RATE*	TERMS	TENANT MIX	TYPICAL USER PROFILE	TARGET TENANTS	TRENDS/ COMMENTS
<u>Little Tokyo</u>										
Kajima Bldg. 316 E. 2nd	100,000	1967	14	Fully Occupied	\$24 NNN	3 yrs. w/ 3 yr. option to renew	*accountants *lawyers *insurance firms *banks	Average - 3,000 sq. ft. (cannot rent on less space) Sumitomo Bank - 30,000	Professionals providing ser- vices to public and private clients	No lease- able space for 10-12 yrs. in the build- ing
California First Bank 120 S. San Pedro	60,000	1984	2	42%	\$21	5 yrs.	*legal firms *trading business	Bank, 25-30% of space (rest is available for lease)	*Professionals *Service bus- inesses	Bank and support staff are the only occupants in the building
Bunmeido Building 303 2nd St.	7,000	1978	2	5%	\$24	5 yrs.	*travel *legal *accounting	Professional services-typical tenant: 1,000 sq. ft.	Overseas Clients	Lease rates are declining
Mitsui Bldg 2nd and San Pedro Streets	36,000	1982	4	Fully Occupied	\$19 NNN	10 yrs.	*medical *insurance *financial	Typical user is 2,000 sq. ft.	All professional service providers	Lease rates are declin- ing

Leasing activity for 1985 through June, 1986 includes:

<u>Building</u>	<u>Tenant</u>	<u>Square Footage</u>
Chase Plaza	Chase Manhattan	80,000
Chase Plaza	Southern Pacific Railroad	60,000
Chase Plaza	Morgan Lewis Bacchus	60,000
Chase Plaza	McLaughlin & Irvin	60,000
1000 Wilshire	Touche Ross	69,000
1000 Wilshire	Coast Federal	57,000
Cal Plaza	Security Pacific Capital Markets	130,000
Cal Plaza	McKenna, Conner & Cuneo	100,000
Cal Plaza	Reardon and McKenzie	50,000
Cal Plaza	Bank of Boston	17,000
Cal Plaza	Canadian Consulate	23,000
Cal Plaza	Salmeyer Qupetz Bauman & Rotchman	23,000
Citicorp Center	Citicorp	160,000
Citicorp Center	Lillick Metlose and Chales	80,000
Citicorp Center	Peat Marwick & Mitchell	90,000
Citicorp Center	Grahm and James	30,000
Citicorp Center	MacDonald Halsted & Laybourne	30,000
888 S. Figueroa	N.Y. Ayer Advertising	20,000
333 S. Hope	Mitsubishi Corp.	40,000
333 S. Hope	Shepherd Mullin & Richter	52,000
Crocker Center	Munger Tolles & Olson	75,000

We see that large users are active in the primary market but that they need high identity Downtown projects. There are large users in the marketplace who require what is considered "primary" space but don't need the "primary" location. These are the tenants the LAUPT/USPS should target. These tenants shop the submarkets for less expensive rates than found in Downtown and Century City, but in areas with good freeway access and proximity to a labor pool. If the LAUPT/USPS can create a niche for these users in its early years of development, offering the improvements and amenities of "primary" space but at "secondary" rents, a very successful long-term project could result. In the mid to late 1990s, with the transportation system in place, the LAUPT/USPS begins to emerge as a primary office location.

In determining the LAUPT/USPS fair share capture on Downtown absorption the analysis presumed the site could capture 80% of the fair share or 116,090 square feet per year. This represents 12.2% of Downtown's annual absorption of 950,000 square feet.

Combining the projected absorptions from each of the above submarkets gives the LAUPT/USPS site approximately 230,000 square feet annual absorption. If submarket absorption stays relatively constant over the next 12 years, and the submarkets maintain their position in relation to the LAUPT/USPS site, cumulative absorption from all submarkets could total over 2.0 million square feet by 1998. Proposed build-out on the LAUPT/USPS site in 1998 is for 2.4 million square feet of office, thus achieving a 14% vacancy.

Methodology and On Site Absorption Conclusions

In order to understand the office environment in which the LAUPT/USPS will compete, the regional market as well as downtown, have been reviewed. In preparing the estimated capture of competitive office submarkets, five competitive areas were selected on the basis of their size and distance from the LAUPT/USPS site. These areas include Downtown Los Angeles, Mid Wilshire/Park Mile/Miracle Mile, Glendale, Century City and Pasadena.

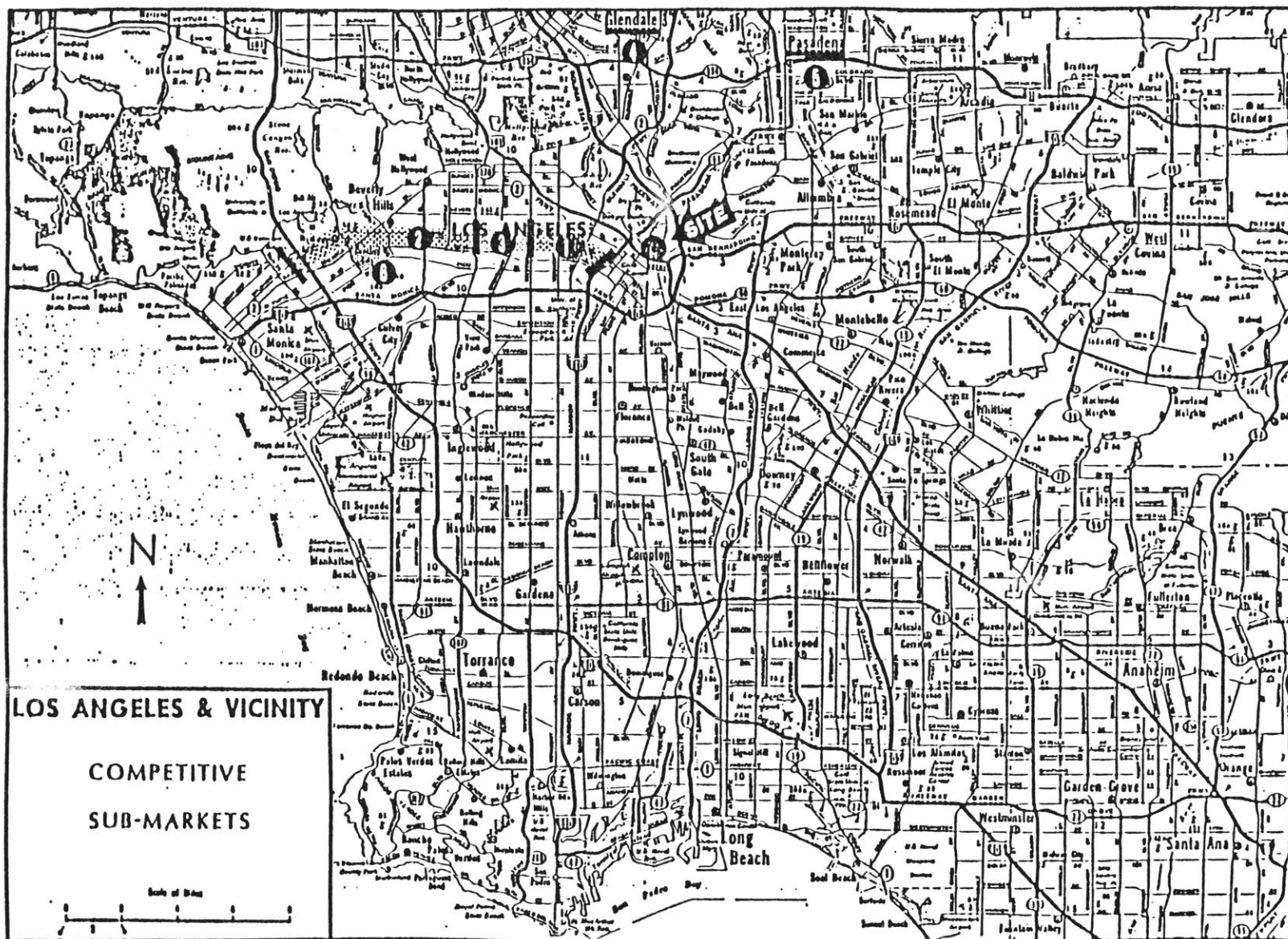
Two methodologies were used in projecting and evaluating the potential on site absorption of office space for the LAUPT/USPS mixed-use project.

The first method evaluates the project's ability to compete within the Downtown market. Annual absorption for Downtown is projected with a fairly steady 2% to 5% annual growth rate starting at an absorption of 934,000 square feet in 1985.

The addition of new office space is projected based on existing plans for projects underway through 1992. Future office development beyond 1992 is projected based on the necessary additional space required to maintain a stabilized market occupancy at projected absorption rates.

A build-out is projected for the LAUPT/USPS site that begins with the introduction of the 550,000 square foot Post Office building in 1990. An additional 500,000 square feet is introduced in 1992 with the first phase of the Union Station project. An additional 400,000 to 500,000 square feet is then added every other year to achieve 2.4 million square feet of office space over a ten year period.

Projected annual Downtown absorption is deducted from the sum of existing vacant space and proposed office development to establish a market vacancy.



Proposed office additions to the LAUPT/USPS site are combined with projections of on site vacant space and then divided by the total market vacant space to arrive at the project's fair share of annual absorption. This fair share of absorption is then multiplied by a market penetration factor to arrive at a projected on site capture of annual Downtown absorption.

The project's capture ranges from 8% to 13% or 90,000 to 156,000 square feet per year over the first four years, 1990 to 1993. After 1993, the capture rates increase to over 16.5% or 220,000 square feet of absorption.

These capture rates are very aggressive for the Downtown market. The project will have a limited ability to compete with more desirable and prestigious financial district primary office space which represents over two thirds of the Downtown office space. Although accurate projections of secondary office space absorption are not easily differentiated from primary space absorption, it is anticipated that secondary office absorption does not exceed its market share or one third of the total annual absorption. The projected capture and absorption rates would therefore represent 50% to 75% of the total absorption of Downtown secondary office space.

Even given these aggressive capture rates, projected on site vacancy rates remain very high with three to four years of oversupply. If the project can only compete within the Downtown market, a substantially slower build-out will probably have to be anticipated unless large users can be secured as major tenants.

The second methodology assumes the project can compete within the larger regional office market.

Assuming a 20 year build-out of six million square feet of office on the LAUPT/USPS site, the project would have to capture an average of 15.3% of each of these sub-market's annual absorption. This fair share capture is then multiplied by a market penetration factor for each specific submarket. The resulting capture rates range from 9% to 14% generating a total on site annual absorption of 229,000 square feet.

These capture rates, although aggressive, still seem reasonable given the project's competitive location, size and transportation access. With the same 2.4 million square foot build-out over ten years, the project maintains stable occupancy levels and may achieve a total build-out of six million square feet over 20 to 30 years.

OFFICE DEMAND ANALYSIS FOR LOS ANGELES UNION PASSENGER TERMINAL AND US POST OFFICE TERMINAL MIXED USE PROJECT														23-Jul-86
HISTORIC ABSORPTION RATES														TOTAL AVERAGE
Total Space Absorbed	998,100	374,300	354,100	464,200	1,009,100	1,843,900	1,395,000	650,000	934,000	1,200,000				9,227,100
Percent Change in Annual Absorption		-62.3%	-4.8%	30.8%	116.4%	82.7%	-24.3%	-53.4%	13.7%	28.3%				9,227,100
PROJECTED ABSORPTION RATES														
Annual Inflation in Absorption		3.0%	5.0%	3.0%	2.0%	3.0%	4.0%	4.0%	3.0%	3.0%	4.0%	4.0%	3.0%	3.0%
Projected Annual Absorption	934,000	980,700	1,029,735	1,040,627	1,061,840	1,114,293	1,158,847	1,205,221	1,243,482	1,328,754	1,381,907	1,437,183	1,480,218	1,524,767
ESTIMATED DOWNTOWN MARKET ABSORPTION AND VACANCY SCHEDULE														
Existing Vacant Office Space	4,300,000	4,300,000	3,319,300	3,307,565	2,446,938	3,088,098	3,073,804	3,314,937	4,009,714	4,262,812	3,334,054	2,811,872	3,349,499	3,067,031
Future Office Developments Fill	20%		1,018,000		1,723,000	550,000	1,400,000	1,400,000	1,518,579		858,872	1,215,411	1,177,830	1,184,147
Proposed LAUPT/USPS Project Additions						550,000		500,000		400,000		450,000		500,000
Total Downtown Los Angeles Market Space Available	4,300,000	4,300,000	4,337,300	3,307,565	4,169,938	4,188,098	4,473,804	5,214,937	5,528,293	4,662,812	4,192,926	4,066,482	4,527,329	5,253,918
Estimated Downtown Market Annual Absorption	980,700	1,029,735	1,040,627	1,061,840	1,114,293	1,158,847	1,205,221	1,243,482	1,328,754	1,381,907	1,437,183	1,480,218	1,524,767	
Net Downtown Market Vacant Space		3,319,300	3,307,565	2,446,938	3,088,098	3,073,804	3,314,937	4,009,714	4,262,812	3,334,054	2,811,872	3,349,499	3,067,031	3,729,291
Total Downtown Office Space	24,500,000	21,500,000	23,518,000	25,518,000	27,791,000	28,341,000	30,241,000	31,611,000	33,559,579	35,559,579	34,868,501	36,114,112	38,091,912	ERR
Percent Vacancy		18.4%	18.4%	13.8%	13.7%	8.8%	10.9%	10.2%	10.3%	11.9%	12.7%	9.4%	7.7%	8.8%
Stabilized Market Vacancy Rate	12.0%													ERR
ESTIMATED DOWNTOWN ABSORPTION FOR LAUPT/USPS SITE														
Downtown Market Penetration - Weighting Factor (3)				0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Fair Share Capture of LAUPT/USPS project				0.0%	0.0%	10.5%	7.7%	12.9%	9.9%	16.5%	14.2%	16.4%	13.7%	16.7%
Total LAUPT/USPS Project Square Footage				0	550,000	550,000	1,050,000	1,050,000	1,450,000	1,450,000	1,900,000	1,900,000	2,400,000	
Estimated LAUPT/USPS Project Absorption of Downtown Office Space				0	117,067	89,715	155,900	125,867	218,187	195,704	238,374	197,450	244,259	
Proposed LAUPT/USPS Project Net Vacant Space				0	432,933	460,285	894,100	924,133	1,231,813	1,254,296	1,661,626	1,702,550	2,155,741	
Cumulative LAUPT/USPS Project Annual Absorption of Downtown Office Space				0	117,067	206,783	362,683	488,550	707,737	903,441	1,141,817	1,339,267	1,583,526	ERR
Proposed LAUPT/USPS Project Occupancy					21%	38%	53%	57%	67%	71%	78%	84%	90%	ERR
ESTIMATED CAPTURE OF COMPETITIVE OFFICE SUBMARKETS														
Competitive Submarket	Existing Area	% of Market	Annual Absorption	Fair Share Market Absorption	Weighted Penetration Capture	On Site Absorption								
Downtown Los Angeles	21,200,000	46.0%	950,000	145,112	80%	12.2%	118,890							
Mid Wilshire/Park/Miracle Hills	12,052,000	22.9%	224,000	34,210	70%	10.7%	23,931							
Glendale	4,474,000	8.5%	140,000	24,400	60%	13.7%	21,994							
Century City	7,124,000	13.4%	332,000	50,715	60%	9.2%	30,128							
Pasadena	4,700,000	8.9%	298,000	45,519	80%	12.2%	36,415							
Total	32,555,000	100%	1,944,000	15,33%			228,880							
Projected Buildout of LAUPT/USPS mixed use office development			6,000,000											
Projected Total Market Office Space in 20 Years			91,833,000											
ESTIMATED TOTAL ABSORPTION FOR LAUPT/USPS SITE														
Annual Inflation in Absorption					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Annual Absorption from all Submarkets					228,880	228,880	228,880	228,880	228,880	228,880	228,880	228,880	228,880	228,880
Cumulative Absorption from all Submarkets						228,880	457,760	686,640	915,519	1,144,399	1,373,279	1,602,159	1,831,039	2,059,919
Proposed LAUPT/USPS Project Additions						550,000	0	500,000	0	400,000	0	450,000	0	500,000
Total LAUPT/USPS Project Square Footage						550,000	550,000	1,050,000	1,050,000	1,450,000	1,450,000	1,900,000	1,900,000	2,400,000
Proposed LAUPT/USPS Project Occupancy						41.4%	87.2%	45.4%	87.2%	78.9%	91.7%	84.3%	95.0%	85.4%
III New Construction Includes:														
06/86-05/87:														
1800 Wilshire	432,000 SF			06/89-05/90:				06/90-05/91:						
Chase Plaza	440,000		845,000 SF	California First	750,000 SF			Cal Plaza II	1,500,000 SF					
Billmore Plaza	405,000		None Savings					Library Square	1,300,000					
Crown Plaza	91,375		450,000											
WCT Building	321,000													
Total	1,318,000 SF		1,723,000 SF						2,800,000 SF					

RETAIL ANALYSIS AND MIXED-USE POTENTIAL

Downtown Retail Centers

Downtown retail is primarily related to and dependent on weekday employees. Stores typically close soon after the end of the business day (6:30 or 7:00 PM).

The downtown Los Angeles retail market has not yet achieved the critical mass necessary to emerge as a major regional retail district. The various shopping centers that make up the downtown retail environment are not concentrated and not designed in a fashion to create an urban mall such as can be found in San Francisco's Union Square or Portland's Pioneer Square. The retail centers discussed in this competitive supply are: Broadway Plaza, 7th Market Place (Citicorp Plaza), Arco Plaza, Bonaventure Shopping Gallery, Crocker Center, the downtown retail "core" centered along 7th Street, and the Los Angeles Mall.

<u>Project/Location</u>	<u>Anchor Tenants</u>	<u>Rents</u>	<u>S.F.</u>
1. Broadway Plaza 750 W. 7th St.	The Broadway	\$30.00	368,000
2. 7th St. Market Place 7th St. & Figueroa	Bullocks The May Co.	\$25-\$35	346,000
3. Arco Plaza Flower & 5th	L.A. Convention & Visitors Bureau	\$18-32	173,000
4. Crocker Center Hope & 3rd	None	Not available	60,000
5. Bonaventure Figueroa & 5th	Aries International Boutique	N/A	145,000
6. LA Mall Alviso & 1st St.	Savon Drugs	\$7-\$15.00	118,000
7. 7th St. Corridor	Robinsons	\$25-\$35.00	1,073,000

BROADWAY PLAZA

750 W. 7th Street between Flower & Hope Streets

368,000 Square Feet

Anchors: The Broadway (150,000 square feet), Food court

Broadway Plaza is the retail component of a mixed-use complex which includes a hotel and office tower. The shopping center is two-level, with the upper floor at street level. The Broadway Department store is moderately priced as are most of the other tenants. The tenant mix is balanced more heavily toward national retail stores such as The Limited, Judy's, Learners, Walden Books and Casual Corner.

Broadway Plaza is a lunchtime destination for many financial district employees and appeals to the full spectrum of occupational levels. The price points of the tenants are affordable to most, thereby not alienating any segment of the market.

The center is a good example of how targeting to a customer's needs through merchandising and design can overcome its shortcomings. Broadway Plaza's shortcomings are its unappealing architecture, typical regional mall finishes and store fronts and lack of a central public space. Despite all of its flaws the area is crowded during lunch with people lined up at the food court operations and others brown bagging it at the benches on the upper level.

According to Ethel Morrison, the leasing agent for Broadway Plaza, there is no consistency in rental structure. Some tenants are in percentage rent only, some leases are a base versus percentage rent, and some are flat rents only. Presently there are no new leases available. However, when asked what a new lease of approximately 1000 square feet would rent for, Ms. Morrison estimated \$30 per square foot. The stores are delivered "as is." No information was available as to how a shell would be delivered if existing space was subdivided but she ventured that tenant allowance money would be available for the right tenant. CAM costs are presently being updated but the last figure was approximately \$12 per square foot annually. Total sales volume in 1984 for the center was reported to be \$53.6 million dollars or an average of \$146 per square foot.

7TH MARKET PLACE (CITICORP PLAZA)

Seventh Street and Figueroa

(346,000 square feet)

Anchor's: Bullock's (128,000 square feet), May Co. (126,000 square feet),
Food court

7th Market Place, open only since March, is a three-level shopping plaza adjacent to the Citicorp Plaza office tower.

Connie Scherer is in charge of retail leasing for 7th Market Place. According to Ms. Scherer, rents are in the \$25-150 per square foot range, with \$25 for stores with 5000 or more square feet of space and \$150 for kiosks. Leases are written for 5 years with a 5 year option or for a straight 10 year term. CAM costs are \$8.59 per square foot per year including taxes. Tenants pay for the HVAC unit and store front. Merchant's association fees run \$1.05 per square foot or \$1,200, whichever is greater. A 10,000 to 12,000 square foot restaurant is planned for the Plaza Level. No rents are available since the ownership is looking for a management contract.

ARCO PLAZA

Flower Street & Fifth Streets

173,000 square feet

Anchors: Food court

The Arco Plaza retail center is located in two underground levels beneath the Arco Tower. The first level has retail stores and the lowest level contains the food court and restaurants.

The design of Arco Plaza is a retail disaster. The exterior and lobby level have a very strong corporate image. Signs around the perimeter of the building indicate shops and restaurants below but it is difficult to find the entrances which are located only on the Flower Street corners. The entrances are very similar to subway entrances. Only a flashing sign reading "Shop and Restaurants Below" lets one know that there is retail below.

Because the retail is buried it is only used by the office workers in the towers. Service and food are the only uses that can survive. This is confirmed by the present tenant mix. Some of the tenants listed under the category's specialty shops are really food and service oriented (i.e., pharmacy, wine and cheese shop, nuts and coffee, photography, stationary store, etc.). Without a successful apparel section the present square footage is too large and one level would have been enough. Several of the present tenants are office retail and could have been located within the towers. Both the design and tenant mix lack luster and excitement. Combined with no visibility from the street, Arco Plaza is a very difficult retailing situation.

Arco Plaza is presently being leased by Tom Kibler of Tishman Management. Rents are in the \$18-32 range versus percentages of 6-8% for 5 to 10 year leases. Presently no leasing activity is being conducted since the project is for sale. A retail study was completed by Stellerman Jones & Company on retailing strategies, however nothing is being implemented until a sale is negotiated.

CROCKER CENTER

Hope & Third Streets

60,000 square feet

Anchors: Restaurant

The Crocker Center offers primarily food service. There are some retail shops lining Hope Street but they are essentially service related. Crocker Center itself is a two level structure situated on a second level plaza not visible from the street but made inviting through clever design of the stairs and use of colorful banners and signage. There are two full service restaurants, one on each level and a quick service food court on the upper level.

The two restaurants are mid priced although their appearance could justify higher priced menus. The Crocker Center is a very popular lunch place as it provides the only real pleasant eating environment in the downtown area. It could easily support twice the food service space it presently has.

BONAVENTURE SHOPPING GALLERY

Second to Sixth Level of the Westin Bonaventure Hotel

5th and Figueroa Streets

145,000 square feet

The Bonaventure Shopping Gallery consists of four levels of retail stores within the lobby atrium of the hotel. The stores are targeted to serve primarily the hotel guests although some attempt has been made to serve the nearby office workers. The whole retail area is only 50 to 60% leased.

The layout of the retail is forced and extremely confusing. The problems of visibility and circulation recur in this project. From the center of the cloverleaf pattern, where the elevators are, it is only possible to see parts of the retail at one time, and only one level below. The rest of the retail is hidden by columns, bridges, and seating areas.

Circulation problems are even worse than visibility. Staircases seem to skip entire levels and go in many directions, so that one easily loses their sense of direction.

DOWNTOWN RETAIL CORE

Seventh Street is the retail core of L.A.'s downtown financial district with over 1 million sq. ft. of retail space. The anchor for the downtown retail core is Robinson's Department Store, located at 7th Street and Grand. The Robinson's chain is generally moderate to better priced. This store is not merchandised as up-scale as others in the chain however, it does reflect the price-point of the downtown customer.

A new retail concentration is planned for the old Barker Furniture building at Flower and 7th Streets. Former display windows will be remodeled to accommodate storefronts and entrances. The leasing agent for the project stated that the planned 25,000 square feet of space would be broken down into 10 to 12 stores for primarily food and service retail tenants.

Kathleen Bartolo is Coldwell Banker's downtown retail specialist. According to Mrs. Bartolo, exclusive of Citicorp, only about 3 to 5 new retail deals were done last year. The market is especially poor in terms of

soft goods and better for restaurant and service retail. Rents on 7th Street are in the \$25-35 per square foot range. Restaurants are typically percentage rent only for 2 years with the restaurant built-to-suit. Profits for the ownership are captured from future income. The Limited store at Broadway Plaza was leased as a takeover of Joseph Magnin's lease through the bankruptcy court at \$7 per square foot annually.

In comparing the downtown situation with the overall Los Angeles retail market, Ms. Bartolo pointed out that in Woodlands Hills, the highest rent is \$30 per square foot. Soft goods retailers overwhelmingly choose the suburban environment of Woodland Hills where selling periods are much longer, especially when compared to downtown's Monday-Friday lunchtime business.

Ms. Bartolo is also leasing the Barker Furniture Building which will have 25,000 square feet of ground floor retail with 100 foot depths. This will dictate minimum store sizes of approximately 2000 square feet which is fairly large for retail stores. The asking rent is \$60 per square foot. They expect to do deals at \$45 per square foot and give generous tenant allowances. The target tenants are food and service retail.

LOS ANGELES MALL

Alviso, First, Main and Los Angeles streets

118,000 square feet

Anchor: Savon Drugs (12,000 square feet)

The Los Angeles Mall was opened in 1975 by the City of Los Angeles, to service Civic Center employees. The Mall was recently renovated but maintained its barbell shape. There are 35 stores on two levels and as most of the other downtown retail areas, hours are from 7 a.m. to 6 p.m. There are 1000 parking spaces available on site. Most of the stores are convenience oriented, ranging from dry cleaners, jewelers, photo stores, a B. Dalton Bookseller, a flower shop and numerous food establishments. There is a Bob's Big Boy and Carl's Jr. for fast food, as well as delicatessens, pastry shops and cafes. Estimated retail sales per square foot are \$130.00. Average lease rate per square foot is estimated at \$7.00.

Methodology for Retail Market Analysis

The methodology for determining the supportable square footage for restaurant and retail space at the site is as follows:

Trade areas for each market segment were defined based on distance to the site, driving distance and proximity of competitive retail projects. Three market segments were identified: residential, downtown office workers and visitor populations.

The residential market was broken down into three trade areas. The primary area is an area within a 2.5-mile radius of the LAUPT/USPS site. The secondary area is a 2.5 to 5-mile ring around the site and the tertiary area is a 5 to 10-mile ring.

The employee market is comprised of the office worker that works in Downtown and Civic Center area or will be working in office buildings proposed for the site, representing a maximum 15 minute distance from the LAUPT/USPS site.

The visitor market is a share of the entire visitor population that is generated by the greater Los Angeles area annually.

Each trade area is quantified to determine the total pool of potential consumers existing within the three market segments. The unit for quantification for the residential population was the number of households. For the three trade areas identified for the LAUPT/USPS project, the total number of households estimated in 1985 were 80,000; 348,000; and 1,120,000 respectively for the primary, secondary and tertiary areas.

For Downtown and on site office workers, the amount of square feet in all office buildings was calculated, then multiplied by a 95% overall occupancy level and by 225 square feet per employee space requirement to determine the office employee population. In 1991, an estimated 106,000 employees are expected to be in the downtown area and 2,400 workers on site. In the Civic Center area, there are estimated to be 49,000 workers in 1991.

The visitor population anticipated to visit the LAUPT/USPS project were based on observations at other attractions and specialty centers similar in size and scope to the proposed project. It is estimated that annual visitation to the site will be 1,000,000 people, or approximately 2% of the 46 million annual visitors to the greater Los Angeles area.

Potential expenditure levels for retail and restaurant goods were then estimated for each market segment. Residential expenditure was based on the estimated potential expenditure by household spent on various retail categories as reported by Urban Decision Systems. Office employee expenditure was based on a national average of \$800 per year for restaurants and \$700 per year for retail factored for the particular spending characteristics of this city. Hotel guests' expenditures were based on typical spending patterns as reported by a recent visitor profile study conducted for the Greater Los Angeles Visitors and Convention Bureau (Visitor Profile Annual Report, 1985, CIC Research, Inc., San Diego, CA). Visitor expenditures were estimated at \$35 per day for restaurants and retail spending, with 49% spent on restaurants and 51% on all other retail items.

Expected expenditures on the project site were then determined based on the project's ability to capture total expenditure projections by each market segment (market segment population x potential expenditure level). The following capture rates were determined using a fair share analysis by each market segment.

RETAIL CAPTURE RATES

Primary Area Residents	3.2%
Secondary Area Residents	1.2
Region of Influence	0.2
Downtown Employees	2.1
Civic Center Employees	10.1
On Site Employees	55.0
Visitor Market	2.0

Supportable square footage for restaurants and retail uses was then based on total on-site expenditure projections, assuming a required sales performance of \$275 per square foot.

Projection of Supportable Retail Space

The analysis indicates demand for 210,000 square feet of retail area to be supportable in 1991, expandable to 243,300 by 1995.

Using 1991 as the model year, the type of supportable development would constitute a specialty center. Restaurants and entertainment would comprise 37% of the total area or 77,700 square feet. The balance of 132,400 square feet would be specialty retail, apparel, gift, accessories, lifestyle and other related specialty uses. Because of the difficulty in leasing an anchorless 210,000 square foot center, this center would be developed in two phases, with the first phase totalling 140,000 square feet.

The proposed retail center of the Union Station project would be predominantly supported by the residential base and visitor market. This pattern of support is similar to other specialty and tourist retail areas, such as the nearby Olvera Street, where most visitors are accompanied by a local resident. The office worker market provides less support, primarily because only those employees working within a 15 minute walking or driving distance would be expected to visit the project.

The breakdown of demand by market segment is as follows:

Residential Population

		<u>1991</u>	<u>1995</u>
o	Primary	(8.2%)	35%
o	Secondary	(15.0%)	33%
o	Region of Influence	(11.3%)	

Office Population

o	Downtown	(4.3%)	17%
o	Civic Center	(10.0%)	19%
o	On-Site	(2.7%)	

Visitor Population

48%	47%
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		ASSUMPTIONS: First Year of Operations						1989							
		Base Year:						1985							
DATE:		24-Jul 1986		125,000 s.f. proposed regional shopping center											
TOTAL RETAIL & RESTAURANT SPACE SUMMARY BY TYPE AND USER															
		1989	% Share	1990	% Share	1991	% Share	1992	% Share	1993	% Share	1994	% Share		
Restaurant & Entertainment		71,105	36.8%	75,567	37.0%	77,695	37.0%	82,126	37.1%	84,400	37.1%	88,112	37.2%		
Specialty Apparel & Accessories		39,190	20.3%	41,570	20.3%	42,726	20.3%	45,092	20.4%	46,326	20.4%	48,315	20.4%		
General Retail		82,900	42.9%	87,242	42.7%	89,677	42.7%	94,030	42.5%	96,624	42.5%	100,423	42.4%		
TOTAL RETAIL & RESTAURANT															
SUPPORTABLE SQUARE FEET:		193,195	100%	204,379	100%	210,098	100%	221,248	100%	227,351	100%	236,850	100%		
Distribution of Space by Users															
Residents:	Primary Area	16,455	8.5%	16,834	8.2%	17,221	8.2%	17,618	8.0%	18,023	7.9%	18,438	7.8%		
	Secondary Area	29,846	15.4%	30,645	15.0%	31,465	15.0%	32,307	14.6%	33,171	14.6%	34,059	14.4%		
	Region of Influence	22,433	11.6%	23,117	11.3%	23,822	11.3%	24,548	11.1%	25,296	11.1%	26,067	11.0%		
		68,733	35.6%	70,596	34.5%	72,508	34.5%	74,472	33.7%	76,491	33.6%	78,564	33.2%		
Employee Markets:	Downtown	8,560	4.4%	8,784	4.3%	9,014	4.3%	9,250	4.2%	9,491	4.2%	9,740	4.1%		
	Civic Center	19,947	10.3%	20,469	10.0%	21,005	10.0%	21,554	9.7%	22,118	9.7%	22,697	9.6%		
	On-Site	0	0.0%	3,679	2.8%	5,736	2.7%	11,060	5.0%	11,170	4.9%	14,506	6.1%		
		28,507	14.8%	34,932	17.1%	35,754	17.0%	41,864	18.9%	42,780	18.8%	46,942	19.8%		
Visitor Market		95,953	49.7%	98,851	48.4%	101,836	48.5%	104,912	47.4%	108,080	47.5%	111,344	47.0%		
		193,195	100.0%	204,379	100.0%	210,098	100.0%	221,248	100.0%	227,351	100.0%	236,850	100.0%		

DISTRIBUTION OF RETAIL SPACE TYPE BY USER

A. Restaurant & Entertainment															
	1989	% Share	1990	% Share	1991	% Share	1992	% Share	1993	% Share	1994	% Share	1995	% Share	
Residentals	Primary Area	81,056	5.0%	81,080	4.8%	81,105	4.8%	81,131	4.6%	81,157	4.6%	81,183	4.5%	81,211	4.5%
	Secondary Area	2,104	9.9%	2,160	9.6%	2,216	9.6%	2,277	9.3%	2,338	9.3%	2,400	9.2%	2,465	9.1%
	Region of Influence	1,772	8.4%	1,826	8.1%	1,881	8.1%	1,939	7.9%	1,998	8.0%	2,059	7.8%	2,122	7.7%
Employee Markets	Downtown	1,199	5.7%	1,230	5.5%	1,263	5.5%	1,296	5.3%	1,330	5.3%	1,364	5.2%	1,400	5.2%
	Civic Center	2,794	13.2%	2,867	12.7%	2,942	12.7%	3,019	12.4%	3,098	12.3%	3,179	12.1%	3,263	12.1%
	On-Site	0	0.0%	719	3.2%	727	3.1%	1,401	5.7%	1,415	5.6%	1,837	7.0%	1,854	6.9%
Visitor Markets	12,241	57.8%	12,411	56.1%	12,991	56.2%	13,384	54.7%	13,788	54.9%	14,204	54.2%	14,633	54.3%	
TOTALs	821,166	100%	822,494	100%	823,127	100%	824,446	106%	825,123	109%	826,228	100%	826,949	100%	
SUPPORTABLE SPACE @		71,105		75,567		77,695		82,126		84,400		88,112		90,532	
\$275 PER SQ. FT. 2.0%		*****		*****		*****		*****		*****		*****		*****	

B. Specialty Apparel & Accessories

Residentals Primary Area	1,118	9.6%	1,144	9.2%	1,170	9.2%	1,197	8.9%	1,224	8.9%	1,253	8.7%	1,281	8.7%
Secondary Area	1,957	16.8%	2,009	16.2%	2,063	16.2%	2,118	15.8%	2,175	15.8%	2,233	15.5%	2,293	15.5%
Region of Influence	1,403	12.0%	1,446	11.7%	1,490	11.7%	1,535	11.4%	1,582	11.5%	1,630	11.3%	1,680	11.4%
Employee Markets Downtown	525	4.5%	538	4.4%	552	4.3%	567	4.2%	582	4.2%	597	4.2%	613	4.1%
Civic Center	1,222	10.5%	1,254	10.1%	1,287	10.1%	1,321	9.8%	1,355	9.8%	1,391	9.7%	1,427	9.7%
On-Site	0	0.0%	378	3.1%	381	3.0%	735	5.5%	743	5.4%	965	6.7%	974	6.6%
Visitor Markets	5,440	46.6%	5,605	45.3%	5,774	45.4%	5,948	44.3%	6,128	44.4%	6,313	43.9%	6,504	44.0%
Subtotal	811,666	100%	812,374	100%	812,718	100%	813,422	100%	813,799	100%	814,382	100%	814,772	100%
SUPPORTABLE SPACE @ \$275 PER SQ. FT.	39,190	2.0%	41,570		42,726		45,092		46,326		48,315		49,627	

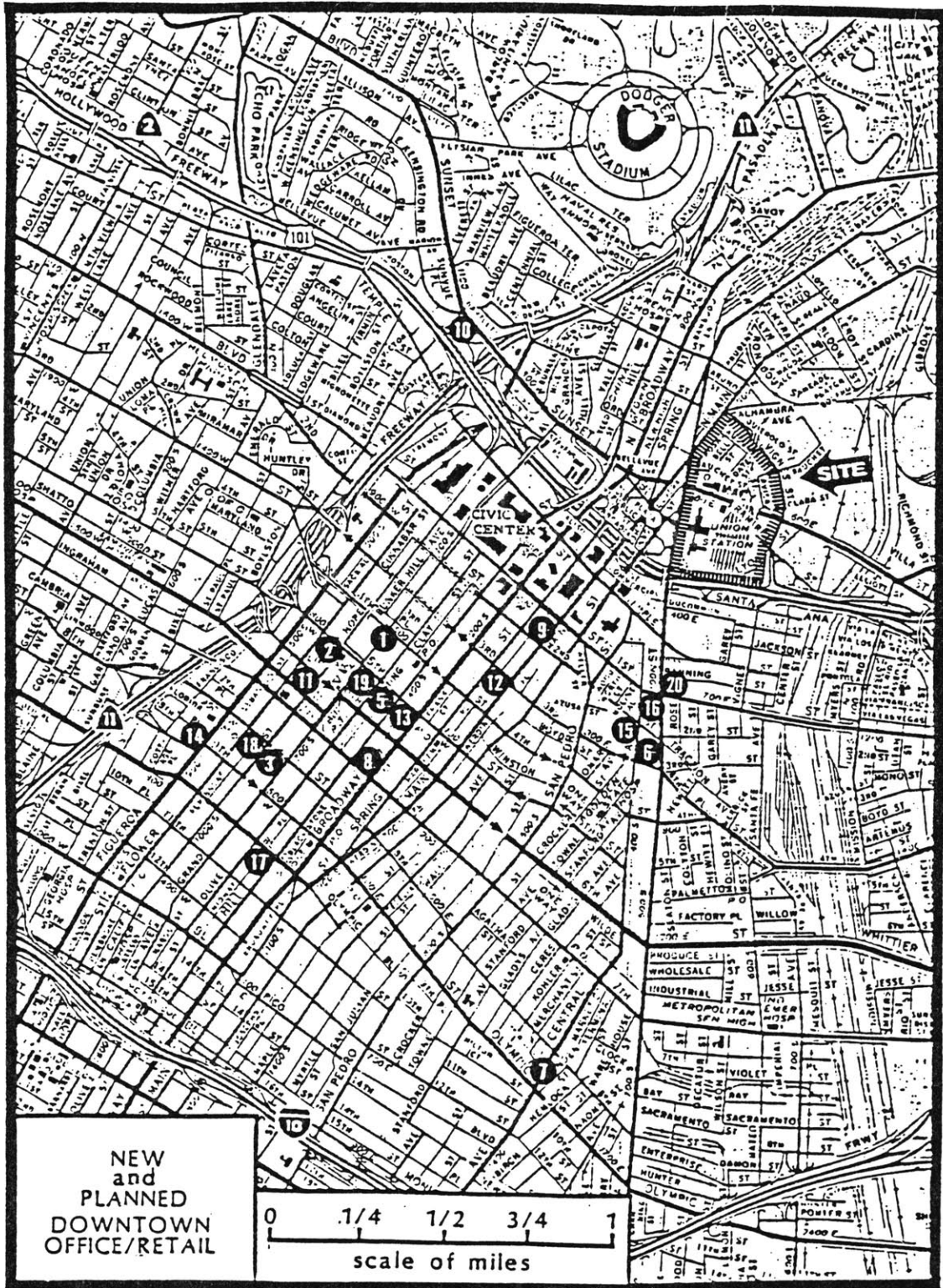
C. Department Store-Type & General Retail

Residentals Primary Area	2,724	11.0%	2,787	10.7%	2,851	10.7%	2,917	10.4%	2,984	10.4%	3,052	10.2%	3,123	10.2%
Secondary Area	4,824	19.5%	4,953	19.1%	5,085	19.1%	5,221	18.7%	5,361	18.6%	5,505	18.4%	5,652	18.4%
Region of Influence	3,503	14.2%	3,610	13.9%	3,720	13.9%	3,833	13.7%	3,950	13.7%	4,070	13.6%	4,194	13.7%
Employee Markets Downtown	824	3.3%	846	3.3%	868	3.3%	891	3.2%	914	3.2%	938	3.1%	963	3.1%
Civic Center	1,921	7.8%	1,971	7.6%	2,023	7.6%	2,076	7.4%	2,130	7.4%	2,186	7.3%	2,243	7.3%
On-Site	0	0.0%	593	2.3%	599	2.2%	1,156	4.1%	1,167	4.1%	1,516	5.1%	1,531	5.0%
Visitor Markets	10,881	44.1%	11,209	43.2%	11,548	43.3%	11,897	42.5%	12,256	42.6%	12,626	42.2%	13,007	42.4%
Subtotal	824,677	100%	825,949	100%	826,694	100%	827,990	100%	828,762	100%	829,893	100%	830,713	100%
SUPPORTABLE SPACE @ \$275 PER SQ. FT.	82,900	2.0%	87,242		89,677		94,030		96,624		100,423		103,177	

NEW OR PLANNED DOWNTOWN RETAIL AS A MIXED-USE PROJECT COMPONENT

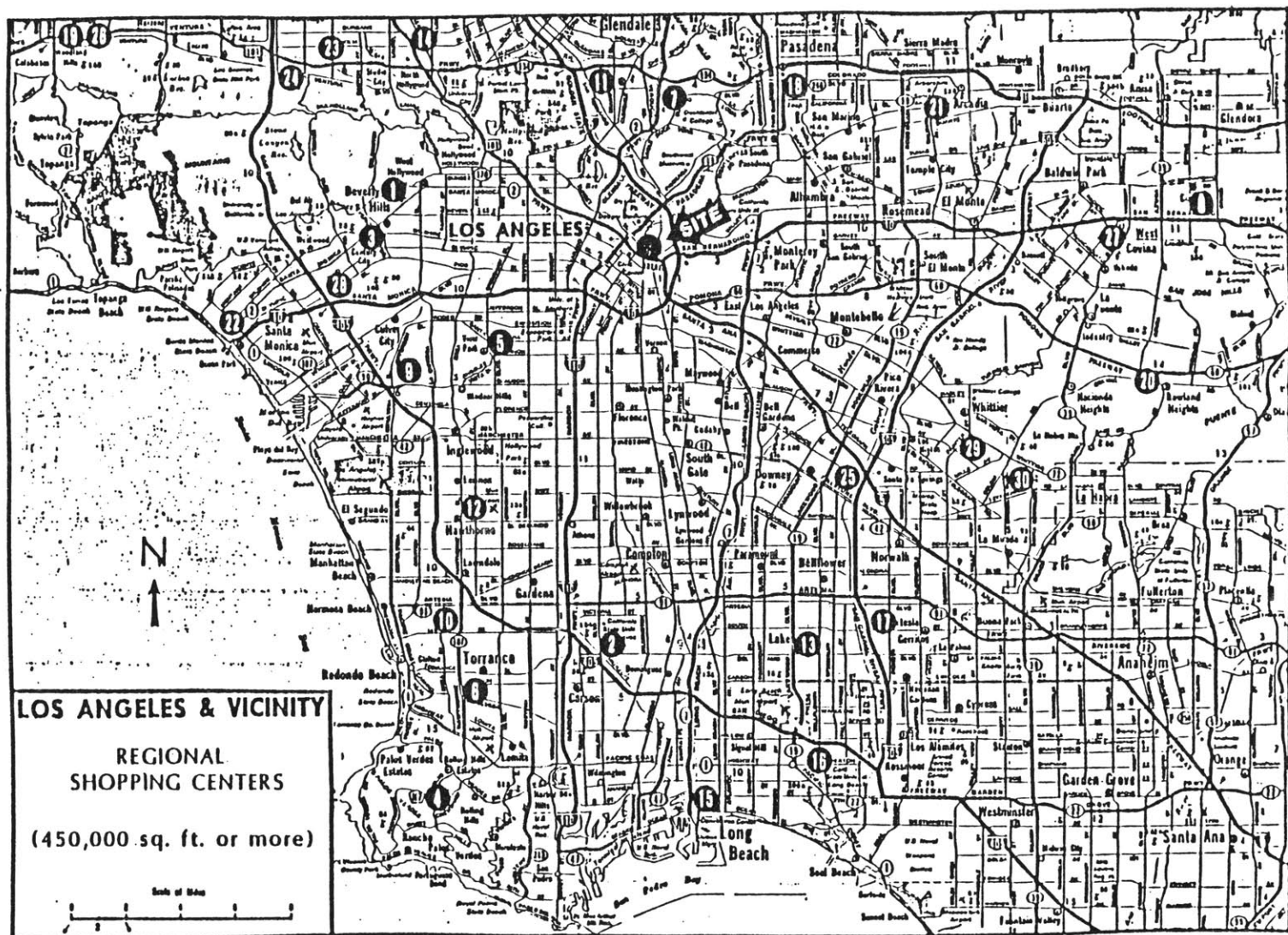
<u>Key</u>	<u>Project/Location</u>	<u>Total Office</u>	<u>Total Retail</u>
1.	Cal Plaza-Phase II 4th and Grand	1,300,000	150,000
2.	Library Square 5th and Hope	1,500,000	75,000
3.	Chase Plaza 8th and Grand	400,000	9,000
4.	Pershing Square 5th and Olive	800,000 540 room hotel	100,000
5.	Reliance/Hilton 7th and Francisco	454,000 900 room hotel	120,000
6.	Alameda II 3rd and Central	100,000	180,000
7.	Produce Market Expansion II 8th and Olympic and Central	20,000	660,000
8.	St. Vincent's Square 7th and Broadway	130,000	200,000
9.	County Building 2nd and Main	500,000	52,000
10.	Gateway Center Hollywood and Harbor Fwy.	600,000	18,000
11.	Hammerson Building 655 S. Hope	100,000	19,000
12.	State Building 3rd and Main	800,000	12,000
13.	Jewelry Mart Phase II 5th and Hill	200,000	20,000
14.	Manufacturer's Life 9th and Figueroa	640,000	10,000
15.	Brunswick Building 2nd and Central	120,000	30,000
16.	Miyakate Building Little Tokyo	22,000	5,000
17.	Cal Mart Expansion Broadway and Olympic	1,000,000	300,000
18.	Pacific Lighting 8th and Hope	1,500,000 500 hotel/500 housing	50,000
19.	Grand Place 5th and Grand	1,300,000	50,000
	TOTALS	11,486,000	2,060,000

Source: Halcyon Ltd



REGIONAL SHOPPING CENTERS IN LOS ANGELES VICINITY

Miles from site	Project/Location	Map Code	Size (sf)	1984 Ttl Rtl Sales	Sales/sf	Parking Spaces	Opening Date	Anchors	Rental Rates
5	Eagle Rock Plaza	7	479,698	\$140.00		2,314	October 73	May/Montgomery Ward	N/A
6	Glendale Galleria	11	1,386,000	\$177.00		6,000	October 67	Broadway/J C Penney/	N/A
6	Crenshaw Shopping Ctr	5	615,700	\$46.00		2,424	November 47	Broadway Vons Woolworth	N/A
8	Plaza Pasadena	18	584,485	\$135.00		3,228	September 80	Broadway/Burger King/	\$8-25
10	Fox Mills Mall	9	892,122	\$155.00		4,452	October 75	Broadway/J C Penney/May Co	\$6.50-30.00
10	Beverly Center	1	900,000	\$164.00		3,000	March 82	Broadway Bullocks	N/A
10	Century City	3	677,798	\$161.00		3,176	October 64	Broadway Bullocks	\$24-60
11	Hawthorne Plaza	12	802,990	\$98.00		4,200	February 77	Broadway/J C Penney	\$12-15
11	Westside Pavilion	28	675,000	N/A		3,000	May 85	May Co./Nordstroms	N/A
11	Stonewood Shopping	25	793,286	\$142.00		4,600	July 58	Broadway/J C Penneys/	\$15-20
11	Laurel Plaza	14	520,205	\$86.00		1,800	March 68	May Co./Ice Capades	
11	Santa Anita Fashion	21	978,000	\$141.00		5,200	October 74	Broadway/Buffums/	\$15-51
14	Whittier Quad	29	676,000	\$54.00		3,500	March 53	May Co.	N/A
14	Sherman Oaks Galleria	24	510,000	\$133.00		3,500	October 80	May Co./Robinsons	N/A
14	Carson Mall/Carson	2	830,749	\$ 83.00		4,900	November 73	Broadway JC Penney Sears	N/A
14	Sherman Oaks Fashion	23	727,263	\$147.00		3,600	August 62	Broadway/Bullocks/I Magnins	\$18.00
15	Lakewood Center Mall	13	2,165,350	\$109.00		12,000	June 51	Buffums/Bullocks/J C Penney	
15	Santa Monica Place	22	568,350	\$218.00		2,020	October 80	Broadway/Robinsons	N/A
15	The Galleria, South Ba	10	944,000	\$46.00		4,968	August 57	Mervyns/Nordstrom/May Co.	\$15-20
16	Whittwood Mall	30	882,236	\$110.00		5,000	November 56	Broadway/J C Penney/	\$30
16	Los Cerritos Center	17	1,320,678	\$145.00		6,630	September 71	Barker Bros Furniture/	
17	Del Amo Fashion Ctr	6	2,345,152	\$157.00		12,000	June 78	I Magnin/Broadway/Bullocks	N/A
17	West Covina Fashion P	27	1,000,000	\$112.00		5,000	September 75	Broadway/Bullocks/	N/A
19	Puente Hills Mall	20	1,201,280	\$132.00		8,504	February 74	Bullocks/Robins/Saks 5th	\$15-25
20	Los Altos Shopping	16	550,000	\$131.00		2,000	1956	Barker Bros Furniture/	\$10-14
20	Long Beach Plaza	15	688,378	\$83.00		2,775	April 82	Buffums/J C Penney	\$8-70
20	Eastland Shopping Ctr	8	776,507	\$102.00		4,400	September 57	May Co./Mervyns	N/A
21	The Courtyard Mall	4	585,000	\$ 52.52		1,875	October 81	Bullocks May Co	\$14.70
22	Promenade Mall/	19	597,165	\$160.00		2,420	August 73	Broadway/J C Penney/May Co	\$15-65
22	Topanga Plaza	26	1,200,000	\$105.00		5,250	February 64	Broadway/May Co./	N/A



HOTEL DEVELOPMENT OPPORTUNITIES

Market Analysis

The hotel market in downtown Los Angeles can best be defined as very competitive. Over the last 15 years, increases in demand caused by the development of office space have consistently been offset by increases in the room supply. In the mid 1970s, Hyatt Regency, Westin Bonaventure and Otani Hotels opened, adding over 2,400 rooms downtown. The upscale, 490-room Sheraton Grand opened in 1984.

We have chosen 13 existing hotels as the competitive market for our study. We have defined them further as class "A" and "B" hotels, depending on their room rates and amenities. A listing of the hotels chosen and their classification follows.

Hotel Supply Downtown Los Angeles 1985			
Class A		Class B	
HOTEL	# OF ROOMS	HOTEL	# OF ROOMS
Biltmore	589	Holiday Inn-Downtown	204
Westin Bonaventure	1,474	Holiday Inn-Conv. Ctr.	196
Los Angeles Hilton	800	Mayfair Hotel	300
Hyatt Regency	487	Embassy Hotel	210
New Otani	447	Best Western Inn Towne	168
Sheraton Grande	489	Best Western Kent Inn	91
		Figuerroa Hotel	280
TOTAL	4,286	TOTAL	1,449
OCCUPANCY	67.5	OCCUPANCY	54.5
AVERAGE RATE	\$77.00	AVERAGE RATE	\$46.00

Source: Pannell Kerr Forster; Halcyon Ltd.

As the table indicates, the hotels in the class "A" category have substantially higher occupancies and room rates. Higher room rates are to be expected for the class "A" hotels because they have more upscale service and amenities (room service, concierge, expensively appointed rooms, meeting rooms, variety of restaurants) than the class "B" properties. These higher occupancies can be attributed to the nature of the clientele in downtown Los Angeles. Approximately 31% of the demand in downtown Los Angeles is derived from Association/Group (includes convention) business. Travelers in this category require meeting space and banquet facilities.

The class "A" properties have a total of 229,600 square feet of meeting space in 99 rooms. The class "B" properties have only 22,100 square feet of meeting space in 22 rooms, as a result, Association/Group business represents twice the percentage of total business for class "A" hotels as it does for class "B" properties.

Market Mix
Downtown Los Angeles Hotels
1985

MARKET DEMAND SEGMENT	MARKET MIX PERCENTAGES		TOTAL
	CLASS A	CLASS B	
Commercial	38.1	38.7	38.3
Group/Convention	36.1	18.2	31.6
Tourist	12.5	31.5	17.3
Tour groups	9.4	8.3	9.1
Airline	2.2	-	1.6
Government	1.7	3.3	2.1
TOTAL	100%	100%	100%

Source: Pannell Kerr Forster; Halcyon Ltd.

The estimated aggregate occupancy in downtown Los Angeles for 1984 was 59.5%. During 1985, the occupancy was 64.3%. An unusual decrease in supply occurred in 1985 due to the closing of the Mayflower Hotel and major renovations of the Hilton and Biltmore Hotels.

As illustrated below, the occupancy increase in 1985 was due to the decrease in the supply of rooms, since actual occupied rooms declined by 6.3%.

Downtown Los Angeles
Competitive Hotel Supply for the
LAUPT/USPS site

	Estimated 1984	Estimated 1985	Percent Change
Number of Properties	14	13	(7.1)
Number of Rooms	6,616	5,735	(13.3)
Annual Rooms Available	2,414,840	2,093,275	(13.3)
Annual Room Occupied	1,436,500	1,345,769	(6.3)
Occupancy Level	59.5	64.3	5.2

Source: Pannell Kerr Forster; Halcyon Ltd.

Assuming there is no hotel built on the subject site, in the next 10 years we project that an additional 3,048 rooms will come on line, increasing the supply to 8,783 rooms by 1996.

Demand for hotel rooms in downtown Los Angeles is expected to increase at a relatively stable rate of 4 to 5 percent until 1991. Overall demand growth is expected to rise substantially from 1991 through 1993 due to the expansion of the Convention Center. Exhibition space in the Convention Center is expected to increase almost 60% in 1991 when a 375,000 square foot addition to the present 235,000 square feet comes on line. Total annual attendance in the Convention Center is expected to increase to 2 million persons from the current 1.5 million capacity. Demand will level off again after 1994 when the market is expected to enter a more stable growth period. The tables which follow show projected growth in room supply and depict the growth demand for hotels in downtown Los Angeles for the period 1986-1996.

Growth in Hotel Room Supply
Downtown Los Angeles
1986-1995

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
P R O P O S E D												
A D D I T I O N S												
Kent Inn		(91)										
Biltmore Hotel		121										
L.A. Hilton			100									
Sunshine Hotel			76	100								
Ayala Hotel			50	142								
California Plaza					200	200						
Little Tokyo						200	200					
Pershing Square								250	250			
Pacific Lighting Co.							250	250				
Convention Center							350	400				
SUBJECT HOTEL	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL ADDITIONS	0	30	226	242	200	400	800	900	250	0	0	0
GROWTH OVER PRIOR YEAR	—	<u>1%</u>	<u>4%</u>	<u>4%</u>	<u>3%</u>	<u>6%</u>	<u>12%</u>	<u>12%</u>	<u>3%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
ROOMS SUPPLY	5,735	5,765	5,991	6,233	6,433	6,833	7,633	8,533	8,783	8,783	8,783	8,783
	—	—	—	—	—	—	—	—	—	—	—	—

**Demand Growth Downtown Los Angeles Hotels
1986-1995**

DEMAND GENERATOR	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
COMMERCIAL -												
Demonstrated	515,431	543,800	575,500	605,000	638,300	673,100	710,200	748,900	790,100	833,400	879,300	927,600
Induced/Unsatisfied	0	0	0	0	0	0	0	0	0	0	0	0
Total	515,431	543,800	575,500	605,000	638,300	673,100	710,200	748,900	790,100	833,400	879,300	927,600
Growth Over Prior Year		5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
GROUP/CONVENTION -												
Demonstrated	425,263	440,100	455,600	471,500	495,100	519,800	545,800	616,700	741,800	819,500	848,100	877,800
Induced/Unsatisfied	0	0	0	0	0	0	50,000	100,000	50,000	0	0	0
Total	425,263	440,100	455,600	471,500	495,100	519,800	595,800	716,700	791,800	819,500	848,100	877,800
Growth Over Prior Year		4%	3%	4%	5%	5%	15%	20%	10%	4%	3%	4%
TOURIST -												
Demonstrated	232,818	239,800	247,000	254,400	262,000	269,900	278,000	286,300	294,900	303,800	312,900	322,300
Induced/Unsatisfied	0	0	0	0	0	0	0	0	0	0	0	0
Total	232,818	239,800	247,000	254,400	262,000	269,900	278,000	286,300	294,900	303,800	312,900	322,300
Growth Over Prior Year		3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
TOUR GROUP -												
Demonstrated	122,464	126,100	129,900	133,800	137,800	142,000	146,200	150,600	155,100	159,800	164,600	169,500
Induced/Unsatisfied	0	0	0	0	0	0	0	0	0	0	0	0
Total	122,464	126,100	129,900	133,800	137,800	142,000	146,200	150,600	155,100	159,800	164,600	169,500
Growth Over Prior Year		3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
AIRLINE -												
Demonstrated	21,532	22,000	22,400	22,800	23,300	23,800	24,200	24,700	25,200	25,700	26,200	26,800
Induced/Unsatisfied	0	0	0	0	0	0	0	0	0	0	0	0
Total	21,532	22,000	22,400	22,800	23,300	23,800	24,200	24,700	25,200	25,700	26,200	26,800
Growth Over Prior Year		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
GOVERNMENT -												
Demonstrated	28,261	28,800	29,400	30,000	30,600	31,200	31,800	32,500	33,100	33,800	34,500	35,100
Induced/Unsatisfied	0	0	0	0	0	0	0	0	0	0	0	0
Total	28,261	28,800	29,400	30,000	30,600	31,200	31,800	32,500	33,100	33,800	34,500	35,100
Growth Over Prior Year		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
TOTAL DEMAND	1,345,769	1,400,600	1,457,800	1,517,500	1,587,100	1,659,800	1,786,200	1,959,700	2,090,200	2,176,000	2,265,600	2,359,100
Growth Over Prior Year		4%	4%	4%	5%	5%	8%	10%	7%	4%	4%	4%
TOTAL ROOM NIGHTS												
OF SUPPLY	2,093,275	2,104,225	2,186,715	2,275,045	2,348,045	2,494,045	2,786,045	3,114,545	3,205,795	3,205,795	3,205,795	3,205,795
PROJECTED AREA OCCUPANCY	64%	67%	67%	67%	68%	67%	64%	63%	65%	68%	71%	74%

Source: Halcyon Ltd.

On Site Hotel Development Opportunities

In this section the opportunities for hotel development on the LAUPT/USPS site using two development scenarios are presented. The first case involves the demand generated for a hotel when there is a limited amount of office development on site. The second outline covers the possibilities for hotel development if and when a significant amount of office space is located on site. In both cases we assume the hotel that is built will be a class "A" facility with room rates from \$75 - 125 dollars.

Limited Office Development/Low Profile Site Use

The low profile site use development plan involves a minimum of change to the existing site. The Union Station building will be remodeled, refurbished and turned in to a destination retail center. The 700,000 square ft. post office building will be used as secondary office space. Because of the post office buildings physical configuration and distance from virtually any other private office complex, an administrative support-clerical type user is expected to lease this building.

Including a hotel in the low profile development group program mentioned above will be very speculative. The festival retail will not create a significant amount of hotel demand because of the number of other such destinations in the greater Los Angeles area, i.e., Disneyland, Knott'sberry Farm, Universal Studios. The 700,000 square ft. office building will not create a significant amount of demand for hotel use because of the nature of the tenants. The hotel will also find it extremely difficult to compete with downtown hotels or convention and commercial business because of its distance from the financial district. A hotel on the subject site cannot reasonably penetrate the commercial and convention market segments more than 50-75% of its fair share because there are simply too many hotels in the financial district that are more conveniently located for travelers in these market segments.

There may be an opportunity to develop a successful hotel on the subject site with the low profile development program, if a transportation system could be developed that connected the subject site to the financial district safely, quickly, inexpensively and frequently. The distance between the subject site and the financial district would no longer be an

issue to the degree that it is now. This is not to say that it will no longer be a factor. However, it does mean that a hotel between 200-250 rooms could be successful if properly marketed to that portion of the convention and commercial segments that would enjoy staying in the LAUPT area with its access to an on-site themed specialty retail center, as well as nearby Olvera Street, Little Tokyo, and Chinatown. The Hotel could market itself as a place to "Stay downtown without downtown", or "When was the last time you visited China, Mexico, and Japan the same day while on a business trip to Los Angeles." Or finally, "Stay five minutes from downtown in the most exciting diverse atmosphere in all of Los Angeles."

Even if the hotel were only 150 rooms it will probably not be successful for at least 5 years if the above transportation system is not implemented. However, a hotel should be considered in the early phases of the project because it can be an important amenity for the development of a commercial center and can help generate the critical mass necessary to establish the presence and appeal of the LAUPT/USPS site..

High Profile/Full Development

The high profile development plan entails a development program of between ten and twenty years. The specialty retail and Post Office reuse improvements will be implemented along with a number of large office buildings. For the site to reach its maximum development potential, the Metro Rail system will have to become a reality. Without Metro Rail, office space on site will be limited by three factors:

- o The parking capacity on site.
- o Traffic capacity on surrounding roads and freeways.
- o Inability to compete with existing and future office projects in the financial district.

Hotel development will parallel the development of office space. For each one million square feet of office space occupied by primary office users, we believe there will be coinciding on site demand from the commercial segment for approximately 16,000 room nights per year. Allowing for high week night occupancy, this corresponds to a class "A" hotel of approximately 65 rooms at a 70% annual occupancy. Assuming a project build-out of six million square feet of office space, corresponding on site commercial demand for hotel rooms will be approximately 96,000 room nights

per year. This is sufficient demand for 390 class "A" hotel rooms at a 70% occupancy. Future group and convention demand for hotel rooms under the full development scenario is more difficult to quantify than commercial demand. If the LAUPT/USPS site is designed thoughtfully, creating an environment that is pleasant and stimulating, and the Metro Rail system is built, we can safely assume that hotels on site will capture between 70% and 80% of their fair share of demand generated by the Los Angeles Convention Center. Some group demand will emanate from surrounding office space as office tenants will have regional and national meetings. We have assumed that there will be approximately 21 group room nights per day generated per million square feet of office space located on the LAUPT/USPS site. This implies a hotel of 30 rooms at a 70% occupancy per million square feet.

Because of the proximity of the LAUPT/USPS site to tourist destinations (Little Tokyo, Chinatown and Olivera Street) intercity rail connections and the very real possibility of it becoming a popular tourist destination in itself, the demand for hotel use will be strong from the tourist and tour group segments under the full development scenario. However, the primary users of hotel space on site will be the commercial and group/convention hotel users who require a class "A" hotel. Because hotels in this class have high room rates, tourists do not frequent them. Therefore, although the hotels on the subject site will obtain their fair share of the tourist and tour group segments, it will represent only 20% of the demand for hotel rooms due to the class "A" facilities of the hotels on the LAUPT/USPS site. However, as the site is developed, the possibility of building a more tourist oriented hotel should be investigated to maintain a variety of hotel facilities.

The following table indicates the number of hotel rooms supportable and the market mix of demand at a stabilized 70% occupancy when there is two million, four million, and six million square feet of office space on site occupied by primary office users.

Estimated Supportable Hotel
Rooms at 70% Occupancy
with Two, Four and Six Million
Square Feet of Office Space
Occupied by Primary Users
on the LAUPT/USPS Site

Office Space:	<u>2,000,000 s.f.</u>	<u>4,000,000 s.f.</u>	<u>6,000,000 s.f.</u>
Number of Rooms:	300	550	750
Market Mix:			
Commercial	43%	44%	47%
Group/Convention	34	34	33
Tourist/Tour Group	21	20	19
Government/Other	2	2	1

Alternative High Profile Site Use

If the Metro Rail system is not implemented, the office space development potential of the site will be severely constrained. The tenants in on site office buildings will be similar to those described in the Low Profile portion of this section. The development potential for on site hotels also follows a pattern similar to that found in the "Limited Office Development/Low Profile Site Use" portion of this section.

Even with three million square feet of office space on the subject site, the demand for hotel rooms on site will be limited. Therefore, a hotel of no more than 300 rooms is recommended without Metro Rail. Generating demand for the property should be executed using a similar program and local transportation services as mentioned in the Limited Office/Low Profile Site Use portion of this discussion.

Market Methodology

Obtaining the future hotel market occupancies for the Los Angeles area was a straight forward process. After determining the market occupancy for the area and the number of rooms existing in the area, these were plugged into the beginning of the program. The new projects coming on line in the future were then determined. They were added to the area supply as they are expected to come on line year by year. If the analysis stopped at that point, it would not have given an accurate picture of the future hotel room demand scenario in Los Angeles because there was no allowance given for growth in demand for rooms in the area. Growth rates for each market

segment - commercial group/convention, tourist, tour group and government was determined. The growth rates used for each segment are our best estimates based on historical figures of hotel room demand in Los Angeles.

The expansion of the Convention Center will create a tremendous growth in the demand for hotel rooms from the convention segment over and above that which can be explained through simple yearly demand growth. Therefore, in this case it was necessary to input the estimated number of hotel room nights that the expansion of the Convention Center will induce into the marketplace. The number of room nights used was based on the estimates of sources at the Convention and Visitor's Bureau.

On Site Induced Demand

The estimated number of room nights demanded per million square feet of office space was determined by dividing 80% of the annual room nights demanded from the commercial market segment in Class A hotels in Downtown Los Angeles by 20, representing the 20 million square feet of occupied office space in Downtown Los Angeles. This estimates an induced demand of 16,000 room nights per million square feet of office space. A similar computation was used to determine the number of room nights demanded per million square feet of office space by the group segment of demand. The same 20 million figure and 40% of the group convention annual room nights demanded in Class A hotels in Downtown Los Angeles was used. This total came to approximately 7,500 room nights per year.

After the number of hotel room nights demanded per million square feet of office space from the commercial and group market segments was determined, a multiple of said numbers was input in the induced column of the program. For instance, with six million square feet of office space on site, the number 96,000 and 45,000 (the 45,000 is in addition to the estimated 50,000 room nights induced by the convention center) were input in the induced column of the commercial and group/convention segments respectively.

HOTELS IN DOWNTOWN LOS ANGELES

EXISTING HOTELS

	<u>Number of Rooms</u>
1. Best Western In Towne Hotel	168
2. Hotel Figueroa	280
3. Hyatt Regency	487
4. Holiday Inn Convention Center	186
5. Embassy Hotel	210
6. Los Angeles Hilton	800
7. Biltmore Hotel	589
8. Sheraton Grand Hotel	489
9. Holiday Inn Downtown	204
10. Westin Bonaventure	1,474
11. Mayfair	300
12. Otani	<u>447</u>
Total Existing	5,735

PROPOSED HOTELS

21. California Plaza	400
22. Convention Center	750
23. Little Tokyo	500
24. Pacific Lighting	500
25. Pershing Square	<u>250</u>
Total Proposed	2,400

UNDER CONSTRUCTION

31. Ayala (Mayflower)	176
32. Sunshine	<u>192</u>
Total Under Construction	368

PUBLISHED ROOM RATES
DOWNTOWN LOS ANGELES
MAY, 1986

<u>FACILITY</u>	<u>SINGLE</u>	<u>DOUBLE</u>	<u>SUITES</u>	<u>CORPORATE RATE</u>
<u>Class A</u>				
Biltmore Hotel	\$100 - \$130	\$125 - \$145	\$185 - \$575	\$110 - \$125
Bonaventure	89 - 129	109 - 149	235 - 515	109
Hyatt Regency	102 - 145	122 - 165	200 - 425	103 - 140
Los Angeles Hilton	87 - 114	103 - 130	250 - 475	87 - 103
New Otani	98 - 120	113 - 135	200 - 675	N/A
Sheraton Grande	150 - 170	170 - 190	195 - 375	N/A
<u>Class B</u>				
Best Western Inn Towne	50 - 60	56 - 66	125	N/A
Best Western Ken Inn	44	49	N/A	42 - 47
Embassy Hotel	50	60	70 - 80	48 - 56
Figueroa Hotel	48 - 58	58 - 64	75 - 95	44 - 54
Holiday Inn - Convention Center	54 - 61	69 - 78	135 - 185	53 - 60
Mayfair Hotel	70 - 100	85 - 115	125 - 400	40 - 65

N/A denotes not available.

Source: Halcyon Ltd.

SPECIALIZED USES

Trade Center

The LAUPT/USPS site could expect to attract business users from an international scope if an International Trade Center was developed on the scale of the Taipei, World Trade Center Mart or the proposed Far East Trade Center in Washington D.C. For development of a trade center which is called a World Trade Center, the proposed project must be designated by the "World Trade Center's Association" in New York to carry the name. This non-profit organization for the development of international trade enhances and provides members services such as trade missions, seminars, protocol organizations and translation services. If an organization becomes a member of the trade association, they also become a part of a computerized link for members. It is rumored that the Los Angeles Trade Center may lose its designation because they have not been providing trade development services according to the "World Trade Center Association's" requirements.

An international trade center on the LAUPT/USPS site would include exhibition space to offer suppliers of all kinds of goods and services a place to overview products from major countries. Exhibitors would be selected on an industry proportional basis to represent each domestic and foreign industry in the United States and abroad. Each firm could be represented in staffed showrooms of 300-500 square feet or in rotating display stalls, keeping abreast of the latest technological advances and fashion trends. The LAUPT/USPS site could offer the largest export and import display facility in the United States, allowing space and showrooms especially reserved for foreign companies who export or wish to export to the United States.

Integral to the success of a trade mart on the LAUPT/USPS site is management which can coordinate national trade development councils and arrange for annual trade fairs to occur at the LA site. Additionally, the facility would need computerized information centers, in all languages, which would allow buyers and suppliers to easily locate each other. Showrooms and display stalls would be arranged on the basis of product categories, for example, houseware and home appliances, electronics and electrical products, chemicals, medical and laboratory equipment and food products would all be found on different floors or sectors of the mart.

There should be a permanent staff of specialists in the trade mart to speak English, Japanese, French, Chinese and German. Interpreters should be available to arrange business meetings and to find trading partners. A dining facility would be included and could be located on the roof of the USPS in addition to smaller restaurants within the building.

A combination of the Taipei and Washington, D.C. Trade Centers could provide the type of development program that would bring critical mass to the sites. The Far East Trade Center in Washington, D.C. is basically a mixed-use project with a heavily emphasized Far Eastern theme. The 400 room hotel includes Chinese lantern glass elevators and suites in Japanese, Chinese, Korean, Indonesian and Polynesian styles and decors. The 220,000 square feet of retail will include a mall with a variety of imported goods and services ranging from ancient arts and crafts to high-tech computers. The atrium and food court will be similar to an Asian Festival, with dim sum, sushi and Mongolian barbeque offered on push carts, and judo exhibitions, Korean fan dancing and Chinese operatic arias on stages and pagodas. The internal environment will attract thousands of tourists, conventioners, local residents and office workers. This is the type of environment which if created at the LAUPT site and combined with a trade mart as discussed above on the USPS site, could require from two to four million square feet of facilities with a 10 to 15 year period.

The development of the trade mart at the USPS site would be expensive because of the additional atrium and exhibition partitioning, but the potential is there, given the indigenous communities and the existing building size. It will be up to the developer who submits a proposal for the USPS site to determine ultimately the program, but the "Request for Proposals" could be geared toward the desired use. The combination of uses on the two sites would require a developer with development knowledge and experience in both mixed-use and trade center projects.

In either case, a trade center as a single use usually requires exhibition space which can be broken down to very small units (400 square feet) and combined up to 2,000 square feet. The mix of permanent and rotating space is usually 45/55 with the majority of space rotational which can command higher rents. Rents for temporary or rotating exhibit space in the USPS building could be in the \$12 to \$14 per square foot range, considerably below daily asking rents in the wholesale marts in downtown Los

Angeles. Prices for permanent exhibit space would depend on the size and character of the exhibitor but would necessarily be below the rotating exhibits.

TRADE CENTERS

NAME/LOCATION	SIZE	DESCRIPTION	AMENITIES	PROGRAM	PARKING
The Los Angeles World Trade Center 350 S. Figueroa Los Angeles, CA	Office bldg of 344,655 ft 10 stories 2 story retail mall	International identity catering to internatl and American business alike. Opened 1974 Rents \$26-28 83% leased	24 hour security tennis club exercise facilities consulate offices translators	No meeting rooms or conference facilities. Small display cases in a mall area	6 story parking garage 3.4/1000
TAIPEI WORLD TRADE CENTER MART 5 MSINYI ROAD TAIPEI, TAIWAN Republic of China	Covers an area approx 470,000 sq ft. 7 floors w/total area @ 1,630,000 sq ft	1,069 permanent trade shops for both local companies, foreign importers & manufacturers. Ground floor space for more than 1300 booths for short term exhibitions.	Interpretation shuttle bus. Communication facilities, 7th floor for foreign companies @ 400 sq ft units at \$650/mo. Other rooms range from \$550-850/mo Facility recently opened	Exhibits range from textiles, garments, electronics, sporting leisure & travel, furniture, building materials, chemicals, housewares, food products. Toys, transportation equipment, stationary, computers, general merchandise, and imported products.	In basenent of the mart, @ 1,200 spaces
The Far East Trade Center 7th St between G and H Streets Washington, DC	1,200,000 sq ft in an 11 story structure on a 94,000 s.f. pad ----- 50,000 trade/exhibit area 340,000 office 220,000 retail 400 room hotel	Proposed Asian mixed use center including hotel, retail, entertainment, restaurant/office complex. Construction scheduled for Spring 1987. Projected rents for office in \$30-\$40 /s.f. range	Metro stop--three lines intersect in ground floor of the center. Permanent trade and exhibit areas. Cultural experience emphasized throughout complex.	Asian-designed mixed use center strongly linked to Far Eastern theme. The hotel agreement with a foreign hotel operator is expected to be announced shortly. The retail court is modeled after the streets of Hong Kong, Singapore, Tokyo and Seoul.	Valet and self-service, three levels of underground

FREESTANDING
MAJOR CONFERENCE FACILITIES
DOWNTOWN LOS ANGELES

LOCATION	NUMBER OF FACILITIES	SIZE	STYLE CAPACITY			RATES	COMMENTS
			THEATRE	BANQUET	RECEPTION		
CALIFORNIA CONFERENCE CENTER 1329 S. Hope Street	4	N.A.	80 - 600	50 - 300	50 - 450	\$575 to \$800 for 4,000 sq. ft. \$300 for 2,000 sq. ft. \$300 per evening for dining facili- ties	non-profit facilities rates; outside catering allowed built in 1928
Source: The Wilshire Organization July, 1986; Los Angeles Area Accommodations, Los Angeles Visitor and Convention Bureau March, 1986							

Conference Facilities:

Freestanding major conferencing facilities in downtown Los Angeles are summarized in the charts that follow. Additionally, conference facilities within hotels are examined. In comparing the two, rental rates per square foot are less in the freestanding conference facilities than in hotel conferencing facilities. But in both types of conferencing space, rental rates are less expensive for larger amounts of space than for small meeting rooms. Small meeting rooms in hotel conference facilities range from \$.33 per square foot per day at the Biltmore to \$.83 per square foot per day at the Hyatt. The larger meeting rooms in these same hotels range from \$.11 to \$.30 per square foot per day respectively.

In the free standing conference facilities such as the California Mart, larger meeting room space drops down as low as \$.09 per square foot per day for a 35,500 square foot exhibit hall. Trade shows at the Convention Center are \$.15 per square foot per day.

Conference facilities as an amenity to a hotel on the LAUPT/USPS site should be in the 50,000 square foot range. This is below both the Biltmore's 67,600 square feet of meeting space, and the Bonaventure's 78,300 square feet, but these hotels have 710 and 1,474 rooms respectively. Daily rents for these meeting rooms would be in the \$.10 per square foot per day for larger rooms and .30 per square foot per day for smaller rooms. These would give meeting space planners less expensive space close to Downtown. Combined with lower hotel rates and the retailing amenities, the site could compete with existing hotels.

**AVAILABLE HOTEL MEETING SPACE
DOWNTOWN LOS ANGELES**

<u>FACILITY</u>	<u>ESTIMATED MEETING SPACE SQUARE FEET</u>	<u>TOTAL NUMBER OF MEETING ROOMS</u>	<u>MAXIMUM CAPACITY</u>
<u>CLASS A</u>			
Biltmore Hotel	67,600	17	1,350
Hyatt Regency	20,900	20	500
Los Angeles Hilton	36,100	28	850
New Otani	6,500	8	280
Sheraton Grande	20,200	22	170
Westin Bonaventure	<u>78,300</u>	<u>24</u>	<u>2,000</u>
Total	229,000	119	
<u>CLASS B</u>			
Best Western Inn Towne	900	2	50
Best Western Ken Inn	--	--	--
Embassy Hotel	7,200	3	390
Figueroa Hotel	2,600	5	80
Holiday Inn - Convention Center	3,700	3	150
Holiday Inn - Downtown	1,500	3	50
Mayfair Hotel	<u>6,200</u>	<u>6</u>	<u>150</u>
Total	22,100	22	--

Source: Halcyon Ltd.

FREESTANDING
MAJOR CONFERENCE FACILITIES
DOWNTOWN LOS ANGELES

LOCATION	NUMBER OF FACILITIES	SIZE	STYLE CAPACITY			RATES	COMMENTS
			THEATRE	BANQUET	RECEPTION		
CALIFORNIA CONFERENCE CENTER 1329 S. Hope Street	4	N.A.	80 - 600	50 - 300	50 - 450	\$575 to \$800 for 4,000 sq. ft. \$300 for 2,000 sq. ft. \$300 per evening for dining facili- ties	non-profit facilities rates; outside catering allowed built in 1928
Source: The Wilshire Organization July, 1986; Los Angeles Area Accommodations, Los Angeles Visitor and Convention Bureau March, 1986							

FREESTANDING
MAJOR CONFERENCE FACILITIES
DOWNTOWN LOS ANGELES

LOCATION	NUMBER OF FACILITIES	SIZE	STYLE CAPACITY			RATES	COMMENTS
			THEATRE	BANQUET	SCHOOL/ROOM		
LOS ANGELES CONVENTION CENTER 1201 South Figueron Street	1) Five (5) Exposition Halls	1) 23,800 to 210,700 Square Feet	1) 2,800 to 23,000	1) 1,800 - 12,000	1) 1,400 to 10,000	• Public Shows 20% of gate Proceeds	<ul style="list-style-type: none"> Dances - Base charge of \$14,000.00 per night Small rooms \$70.00 to \$900.00/day 5 - 10' x 10' booths in the range of 560 to 1,075 Square Feet
	2) Meeting Rooms	2) 308 to 11,220	2) 25- 1,600	2) 20 - 980	2) 16 - 830	<ul style="list-style-type: none"> Conventions/ Meetings .50¢/chair/day (max. 7,000 chairs) Trade shows 15¢/net useable day minimum 75,000 Sq. Ft. or \$11,250.00 	
CALIFORNIA MART 110 E. 9th Street	(1) Meeting facilities (3) 1,400 to 4,000	N.A.	N.A.	150-450	90-350	\$150/day	215-8' X 10' booths
	(2) Exhibit hall	35,500	N.A.	N.A.	N.A.	\$3500/day	
	(3) Locked exhibit showrooms (67)	17,600	N.A.	N.A.	N.A.	25¢/sq. ft. furnished	

MAJOR CONFERENCE FACILITIES WITHIN HOTELS
DOWNTOWN LOS ANGELES

LOCATION	NUMBER OF MIG. ROOMS	SIZE	STYLE CAPACITY			RATES	COMMENTS
			THEATRE	BANQUET	RECEPTION		
Hyatt Regency Hotel 711 S. Hope St.	19	180 to 10,000	10-1,400	10-1,000	25 to 2,000	\$150/day to \$3,000/day	No charge for facilities if food is served
The Westin Bonaventure 404 S. Figueroa	34	390 to 26,100	40 to 3,000	30 to 2,850	40 to 3,500	\$150/day to \$3,500/day	Minimal rent is charged for use of facilities even when food is served. Exhibition hall is being converted into meeting rooms approximately 25,100 square feet
Source : The Wilshire Organization July, 1986; Los Angeles Area Accommodations, Los Angeles Visitor and Convention Bureau March, 1986							

MAJOR CONFERENCE FACILITIES WITHIN HOTELS
DOWNTOWN LOS ANGELES

LOCATION	NUMBER OF MTG. ROOMS	SIZE	STYLE CAPACITY			RATES	COMMENTS
			THEATRE	BANQUET	RECEPTION		
L. A. Hilton 930 Wilshire	21	450 to 11,200 sq. ft.	60-1,200	50 to 1,500	50 to 1,500	\$250-\$300/day to \$2,000/day	No charge for facilities if food is served
New Otani & Garden Hotel 120 S. Los Angeles Street	10	375 to 4,000	35-530	20-430	25-600	\$1,250/day or min. of \$175/day for smallest room	Contract rates are negotiable based on full or 1/2 day use of the facilities; also based on the number of participants and the cost per meal
Sheraton Grande Hotel 333 S. Figueroa	11	400 to 7,500	30 to 700	40 to 850	40 to 1,000	\$175 to \$200 to \$2,000/day	No charge for use of facilities if food is served.
Embassy Hotel & Theatre 851 S. Grand Ave.	3	1,000 to 12,000	100 to 700	50 to 450	150 to 700	\$75/day for breakfast room; if over 500 people is free;	\$700/day for use of Embassy Ballroom; no charge for facilities if food ordered exceeds \$3,000
Biltmore Hotel	17	300 to 16,800	30 to 1,550	18 to 1,350	26 to 1,700	\$100-\$200/day to \$2,000 "	No charge for facilities if food is served.

Cultural Facilities

The existing museums and performing arts facilities are well established around the LAUPT/USPS site as evidenced in the included exhibits. Plans for growth appear to be concentrated in the Bunker Hill Civic Center area, where night life and pedestrian traffic are beginning to occur. Tying in a performing arts facility with the LAUPT/USPS site would require security, complementary attractions such as places to dine and walk after late night shows, and finally, transportation such as has been proposed for the "Union Station Shuttle."

Most of the museums and performing arts facilities pay below market rents, have arrangements with the city for payment of token rents, or are privately owned. Because of their limited ability to pay market rents, the proposed project will have to be financially feasible without revenue collected as rent from cultural facilities. But the important contribution cultural facilities add to a mixed-use project cannot be ignored. The activity generated by a museum gallery, or performing arts facility, creates revenue for other uses on site. The cost of this increased activity and added revenue will be worth subsidizing, either through the public or private sectors.

Fine and cultural arts activities should be carefully integrated with commercial uses on the LAUPT/USPS site. Comprehensive planning will help establish a successful market image. It also will ensure that the cultural presence will provide quality programs. Most important, it will guarantee that all the project uses, revenue-producing and non-revenue-producing, will support and augment each other.

It remains difficult to quantify the added dollar value or increased return on investment achieved by integrating the arts into the LAUPT/USPS mixed use project. The cumulative economic impact of the arts industry on a city is measurable. The tools do not yet exist, however, to calculate precisely the increased economic benefit of arts components to specific projects. Cultural institutions and amenities do seem to improve retail and restaurant business, increase the use of hotel rooms on weekends, stimulate employers' interest in office space, and enhance a project's overall image.

Real estate projects that include the arts appropriately have the opportunity to offer commercial space that is unique, thereby achieving a highly desirable position in the marketplace. Mixed-use projects including

the arts seem to have, over the longer run, stronger value appreciation potential than more standard forms of real estate development.

Excellent design is critical to these projects. Commenting on the lessons that other localities might learn from San Diego's Horton Plaza, Gerald Trimble of the Centre City Development Corporation has said:

An important transferable item is that the urban design aspects of the project have to be considered along with the business transaction. Both of these elements have to be monitored all the way through to completion of construction and then through leasing. We also have to think about the function and operation of these various developments, how they mix together, and how they will function for years to come. We have spent a great deal of time figuring out how performance art, theaters, movie theaters--all the people-oriented portions of these projects--can be included so that the developments will receive people very well and consumers will be willing to come past other large developments to shop and dine and be entertained in Centre City.

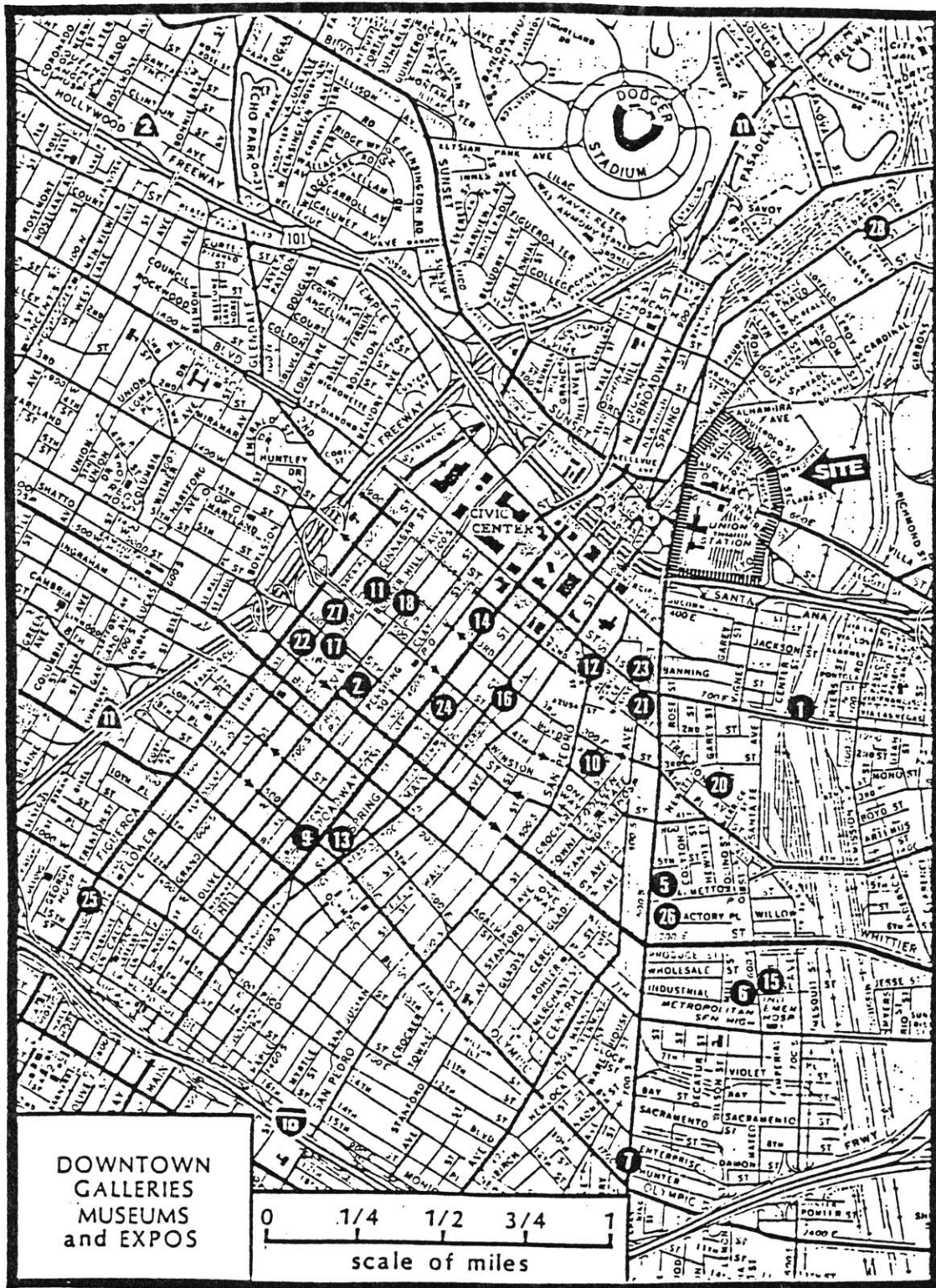
These design requirements include the need for first-class arts facilities able to accommodate superior presentations of particular arts disciplines. The definition of cultural facilities may need to expand on the LAUPT/USPS site to include festivals, outdoor recreation, popular concerts, and fairs that will attract large numbers of people.

A potential cultural facility for the LAUPT/USPS site is the Children's Museum. The museum is currently studying relocation and expansion options. The USPS building would be an ideal location for the museum, especially in conjunction with a toy mart for the expanding toy industry in Downtown Los Angeles. The Toy Mart as a potential use for the USPS site is discussed later under the wholesale center section.

MUSEUMS, GALLERIES OR EXPOSITIONS IN OR NEAR DOWNTOWN

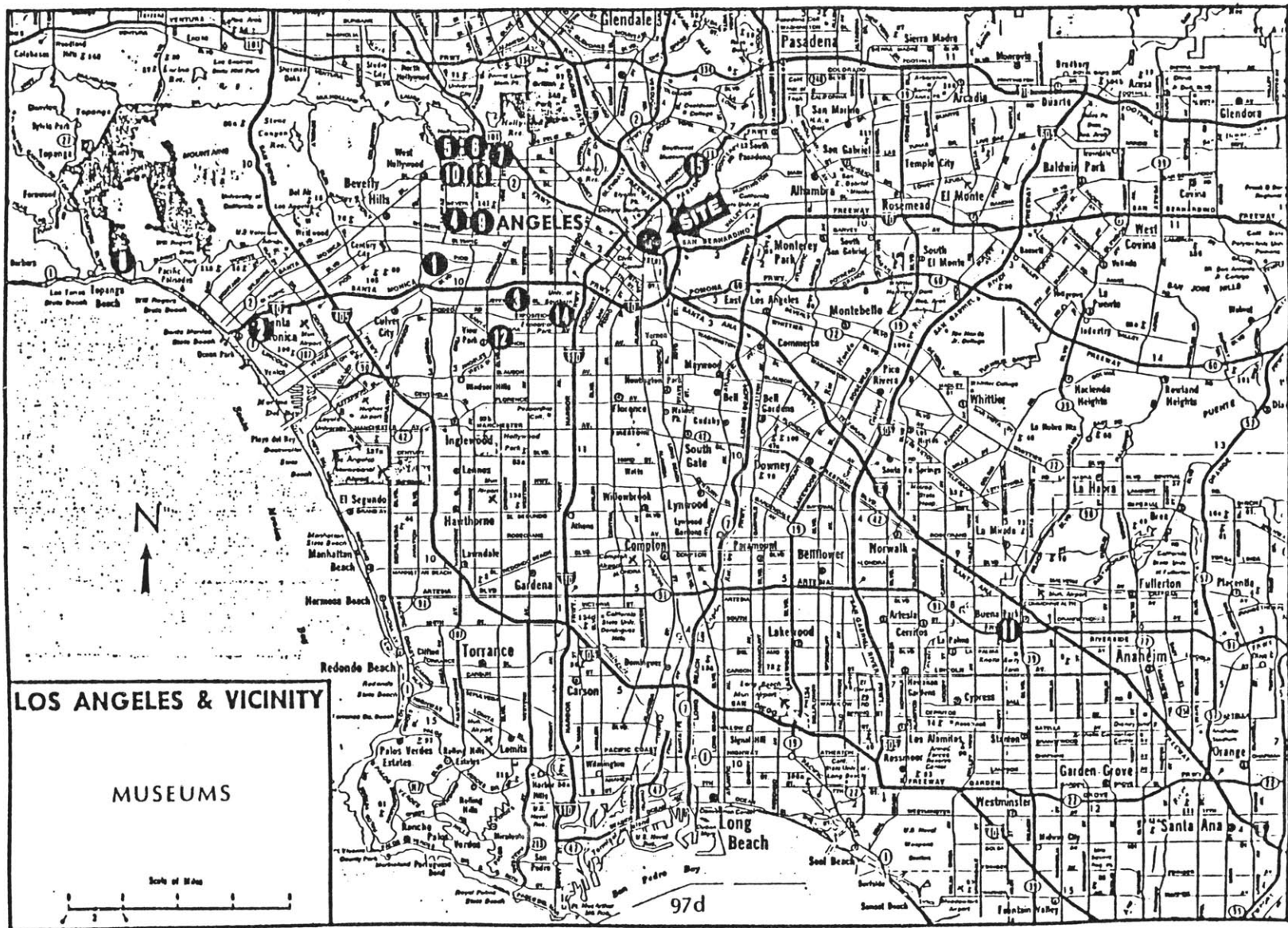
KEY	PROFIT	OPENED	NAME/LOCATION	SIZE/DESCRIPTION	EXPANSION PLANS	MONTHLY ATTENDANCE	ADMISSION
1	Yes	1983	AAA Art Gallery 1001 E. 1st Street	1700 SF of Static and Contemporary Art	None	2,500	FREE
2	Yes	1923	Biltmore Gallery 515 S. Olive	International Artists Early Western Americana	None	6,350	FREE
3	No	1984	Calif Afro-American Museum 600 State Drive	28,000 SF Black Culture	Double within 3 Years	1,000,000	FREE
4	No	1954	Calif Museum of Sci & Ind 700 State Street	330,000 SF Contemporary Science and Technology	Add 40,000-50,000 in 3-5 years	5,000,000	FREE
5	Yes	1980	Cirrus Gallery 542 S. Alameda	6,000 SF of Contemporary painting, sculptor and prints	None	6,000	FREE
6	Yes	1981	Double Rocking S Gallery 652 Mateo Street	4,000 SF Contemporary Art, Predominantly West Coast	None	2,500	FREE
7	No	1954	El Pueblo State Hist Pk 845 N. Alameda Street	15 acres of Historic Los Angeles	Restore block of Pico House		FREE
8	No	1932	Fisher Art Gallery 823 Exposition Blvd	4,000 old masters and contemporary paintings	None	20,000	FREE
9	No	1981	Gallery 1:16 116 W. 9th St.	2,000 contemporary multimedia	None	2,000	FREE
10	No	1984	Gallery 318 318 Omar St.	650 contemp sculpture, 50% in contiguous painting space	None	N/A	FREE
11	No	1975	Gallery at the Plaza 333 S. Hope	N/A contemp fine art occasional cultural	None	50,000	FREE
12	No	1980	George J. Doizaki Gallery 244 S. San Pedro St.	3,500 Japanese tradit. and contemporary	None	18,000	FREE
13	No	1981	LA Ctr Photographic Studies 813 S. Spring St. 3rd Floor	1,000 photographically related fine art work	Yes	FREE	
14	No	1977	LA Contemp Exhibs (LACE) 240 S. Broadway	2,500 interdisciplinary	Add 3,500 sf by fall 1985	16,500	FREE
15	No	1981	LA Artcore Center 652 San Mateo	1,300 contemporary art including performance	Not known	5,000	FREE
16	No	1979	LA Children's Museum 310 Main St.	13,000 whatever demystifies world for children	Yes		\$2.75
17	No	1872	LA Public Library 630 W. 5th St.	N/A books, photos, occas. artifacts	New wing planned on east lawn		
18	No	1986	Museum of Contemp Art (MOCA) 3rd & Grand	40,000 all aspects of contemporary art	None		\$4.00
19	No	1913	Museum of Natural History 900 Exposition Blvd.	70,000 US Hist. Earth and Life Science	Add 30,000 sf- 3-5 yrs		\$1.50
20	Yes	1981	Museum of Neon Art 704 Traction Avenue	3,184 Neon, Electric, Kinetic	Seeking larger space downtown	7,800	\$2.50 donation
21	Yes	1984	Sonrisa Gallery 110 S. Central	1,500 Fine art and folk art	None	20,000	FREE
22	No	1984	S.W. Museum at ARCO Plaza 515 S. Flower, Level B	3,200 Native American art and culture	None	60,000	FREE
23	No	1983	Temporary Contemporary 152 N. Central	55,000 all aspects of contemporary art	Add 40,000 Bunker Hill by fall 86	300,000	FREE
24	Yes	1984	The Theatre Art Gallery Design Ctr of LA 433 S Spring	3,000 Contemporary art	None	2,300	FREE
25	Yes	1980	Thinking Eye 1318 S. Figueroa St	1,000 contemporary art by regional artists		1,500	FREE
26	Yes	1984	Tokio Studio 454 Seaton #3	2,000 contemporary art by L.A. artists	Not known (owner not available)	1,300	FREE
27	Yes	1982	Wells Fargo History Museum 444 Flower St.	6,500 Western U.S. history	None	20,000	FREE
28	No	1972	Woman's Building Gallery 1727 N. Spring St.	3,000 art by women	Relocating downtown w/in 5 yrs	4,500	FREE

Source: Halcyon Ltd



MUSEUMS IN THE LOS ANGELES VICINITY

KEY	NAME/LOCATION	DESCRIPTION	AVERAGE VISIT	ADMISSION	SCHEDULE	ADDITIONAL COMMENTS
1	Sison Wiesenthal Center 7760 West Pico Los Angeles	Holocaust Museum and library, archives	One Hour	Free	Year round Mon 9:30-4:30 Fri 9:30-2:00	Located on Yeshiva University Campus
2	Angels' Attic 516 Colorado Avenue Santa Monica	7 galleries with antique dollhouses, etc.	Two Hours	Adults \$3.00 Children \$1.00	Closed major holidays Th-Sun 12:30-4:30	Docent tours every Thur at 2PM. Special tours upon request handicapped parking, access.
3	First Interstate Bank Athletic Foundation 2141 N. Adams Blvd, LA	Sports museum with over 50,000 items	One Hour	Adults \$2.00 Juniors \$1.00 Sr. Cit. discount	Tu-Sun 10AM-4PM Closed Mon. all bank holidays	Olympics Room, World Trophy, 16 areas for 16 diff. sports. Schools, groups of 10 or more need reservations. Open by appointment
4	George C. Page Museum of La Brea Discoveries 5801 Wilshire Blvd, LA	Fossil reconstructions of Ice Age animals	Two Hours	Adults \$1.50 Juniors \$.75 Children \$.75 Sr. Cit. discount	10AM-5PM Tue-Sun Closed Thanksgiving Xmas, New Year's Weekend tours	Recovered from Rancho La Brea Tar Pits
5	Hollywood Museum 7051 Hollywood Blvd Hollywood, CA	Exhibits from movies from beginnings to present	One Hour	Adults \$4.50 Children \$2.50 Juniors \$1.50 Sr. Cit. discount	Summer: 10-9 daily Fri-Sat til 10PM Winter: 10-7 daily Fri-Sat til 9PM	Rare and valuable pieces from all phases of the movie-making industry
6	Hollywood Studio Museum 2100 N. Highland Avenue Hollywood	Exhibits from early years of filmmaking	One Hour	Not given	To be announced	Housed in historic "Dentille barn", site of Hollywood's first feature length film (1914)
7	Hollywood Wax Museum 6767 Hollywood Blvd Hollywood	More than 170 famous persons in wax	One Hour	Adults \$3.00 Juniors \$1.50 Children \$2.00 Sr. Cit. discount	10-midnight daily	Continuous scenes from award-winning films, 1927 to present
8	The J Paul Getty Museum 17995 Pacific Coast Hwy Malibu	Recreation of ancient Roman house, Villa, etc	Two hours	Free	Daily, call for schedule	Greek and Roman antiquities. European paintings. Old Master drawings and manuscripts
9	Los Angeles County Museum of Art 5905 Wilshire Los Angeles	Permanent installations	Two Hours	Adults \$1.50 Children \$.75 Sr. Cit. discount	Closed Mon, most holidays. Open 10-5 Tue-Fri, 10-6 Sat-Sun	Pre-Columbian, Indian & S.E. Asian, later West Asian, American & European art, Gilbert Collections Monumental Silver/Mosaics. Special tours 20 or more.
10	Max Factor Museum & Cosmetic Outlet 1666 N. Highland Ave Hollywood	Historical museum of beauty	One Hour	Not given	Mon-Sat 10AM-4PM Closed holidays	Filled with artifacts and memorabilia spanning 75 years of achievement and motion picture make-up history
11	Hollywoodland 7711 Beach Blvd Buena Park, CA	More than 200 movie sets with stars	Two Hours	Adults \$7.95 Children \$5.95 Sr. Cit. Discount Travel agt. disc.	Summer: 9AM-8PM Daily 10PM Fri, Sat Winter: 10AM-7PM Daily 10PM Fri, Sat	TV/movie stars in realistic sets. i.e., Ronald Reagan, Carol Burnett, Mr. T.
12	Museum of African American Art 4005 Crenshaw Blvd Third Floor Los Angeles	International art institution	Four Hours	Not given	Wed-Fri 11AM-6PM Sat-Sun 12-4PM	MAAA serves local and world communities by having art exhibitions pertaining to African heritage of new world Blacks
13	Museum of Rock Art 6834 Hollywood Blvd Hollywood	Rock and roll history museum	Two Hours	Adults \$4.50 Juniors \$2.50 Children \$3.00 Sr. Cit. Disc. Travel agt. disc.	Tue-Sun 10AM-10PM Call for tour info	A rock and roll experience that is basic to your eyes. History from 50's to the present. Gift shop memorabilia.
14	Natural History Museum of Los Angeles County 900 Exposition Blvd. Los Angeles	Science galleries	Four Hours	Adults \$1.50 Jrs/children \$.75 Sr. Cit. Disc. Free 1st Tues	Tu-Sun 10AM-5PM Closed New Year's Xmas, Thanksgiving	Paleontology, history displays, minerals and fossils, South Pacific/pre-Columbian cultures & topical temporary exhibits Tours by reservation
15	The Southwest Museum 234 Museum Drive Los Angeles	Prehistory, artifacts, etc.	Two Hours	Adults \$1.50 Children \$.75 Sr. Cit. Disc. Travel agt. disc.	11-5 Tues-Sat 1-5 Sun. Library open Tue-Fri, 1-5PM Tours by reservation	American Indian art, artifacts, Southwest, Plains, California, northwest coast Library museum store.



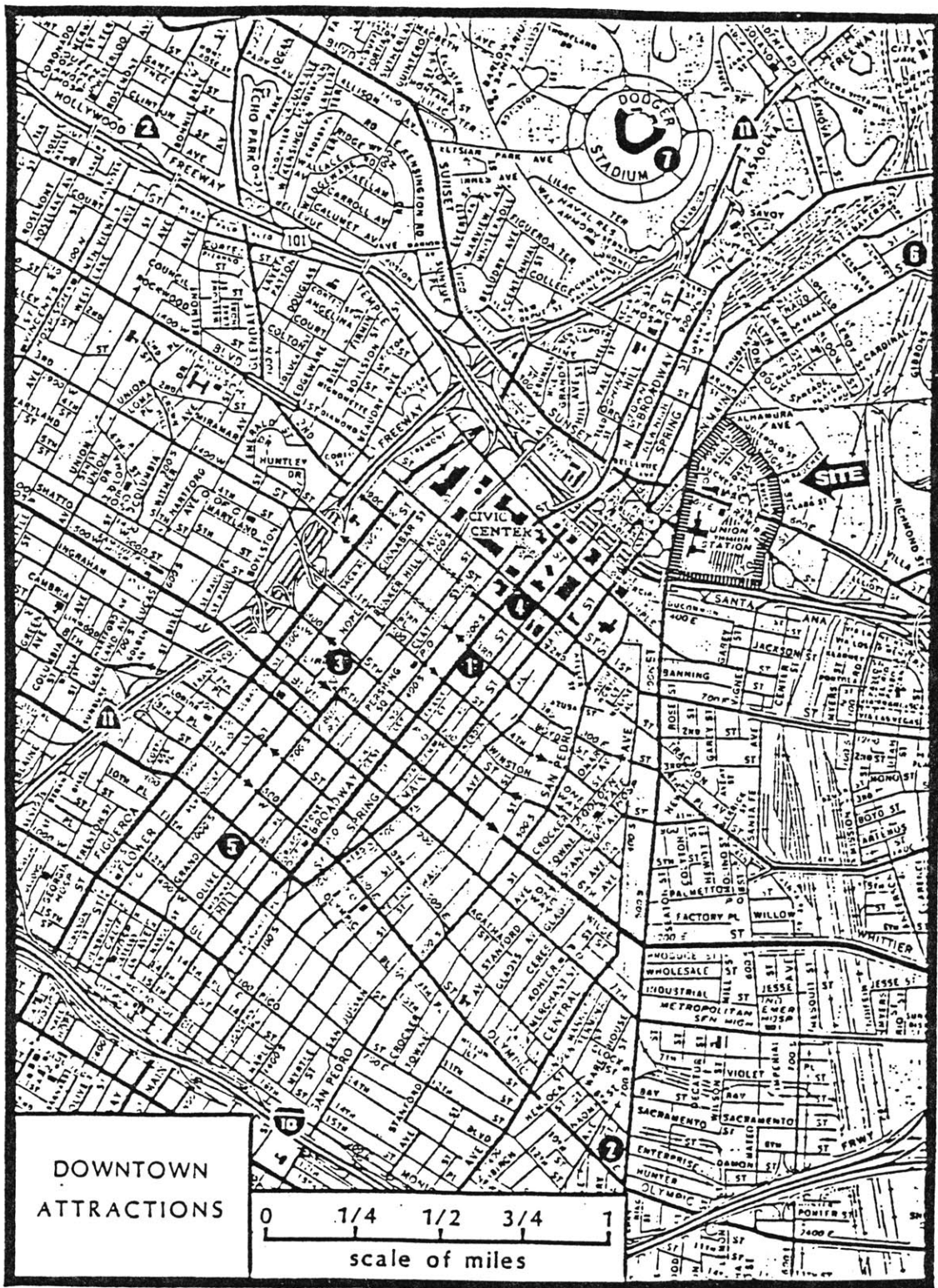
GALLERIES OUTSIDE OF DOWNTOWN LOS ANGELES

Year Opened	Name/ Location	Profit Nonprofit	Exhibition Area	Expansion Plans	Attendance	Admission	Schedule	Shows	Rent
'1971	LA Municipal Art Gallery 4800 Hollywood Blvd.	Nonprofit	10,000 s.f.	No	300,000 Annually	\$1.00 Adults Under 12 free	Tue-Sun 12:30-5	SoCal contemporary artists, Quilts	City owned \$2,000/mo
'1985	Martin Lawrence Galleries Westside Pavillion	Profit	2,700 s.f.		Foot traffic in mall	Free	M-F 10-9:30 Sat 10-6 Sun 11-6	80% on Contract	\$1.50 - 2.00
'1981	Martin Lawrence Galleries Sherman Oaks Galleria	Nonprofit	4,000+ s.f.		Foot traffic	Free	M-Th 10-9:30 Fri 10-10 Sat 10-6	Rotating 2-3 times yearly Published artists	
'1978	Social & Public Art Resource Center Venice	Nonprofit	2,000 s.f.		250,000 annually	Free	M-F 10-5 Sun 11-6	Slide archive Murals Art gallery	City owned

DOWNTOWN ATTRACTIONS

<u>Name/Location</u>	<u>Description</u>	<u>Average Visit</u>	<u>Schedule</u>	<u>Admission</u>	<u># of Visitors Annually</u>
1. The 1983 Bradbury Bldg 304 S Broadway Los Angeles	Registered historic Landmark & famous movie set	10-20 min	Year round M-Fri 10AM-5PM	\$2.00 Sr Cit disc	Not given
2. El Pueblo de Los Angeles State Historic Park 845 N Alameda Los Angeles	Historical park with Mexican mar- ketplace at- mosphere Dining available	2 hrs	Year round Every day 10AM-8PM	Free	1.5-2 million
3. Los Angeles Public Library 630 W 5th St. Los Angeles	2.2 million volume central Historic Landmark	Not given	Year round M-Thu 10-8PM F-Sat 10-5:30PM	Free	Not given
4. Los Angeles Times 145 S. Spring Los Angeles	Nation's largest daily paper	One hour	Group tours M-Fri 9:45, 11, 1:15 public M-Fri 11, 5 & 3	Free	20-23,000
5. Myron's Ballroom 1024 S Grand Av	Landmark ballroom	3 hours	Year round W-Sun 7PM-1AM Sun 2PM-7PM	\$6.00 Travel agt disc	100,000
6. San Antonio Winery 737 Lamar St Los Angeles	Restaurant within winery Tours, wine tasting	One hour	Year round Daily 11AM-6PM May-August Daily 11AM-9PM	N/A	Not known
7. Los Angeles Dodgers Stad. 1000 Elysian Park Avenue Los Angeles	Prof. base- ball games	3 hours	Apr-Sept	\$6.00 box \$5.00 reserved	3-3.6 million

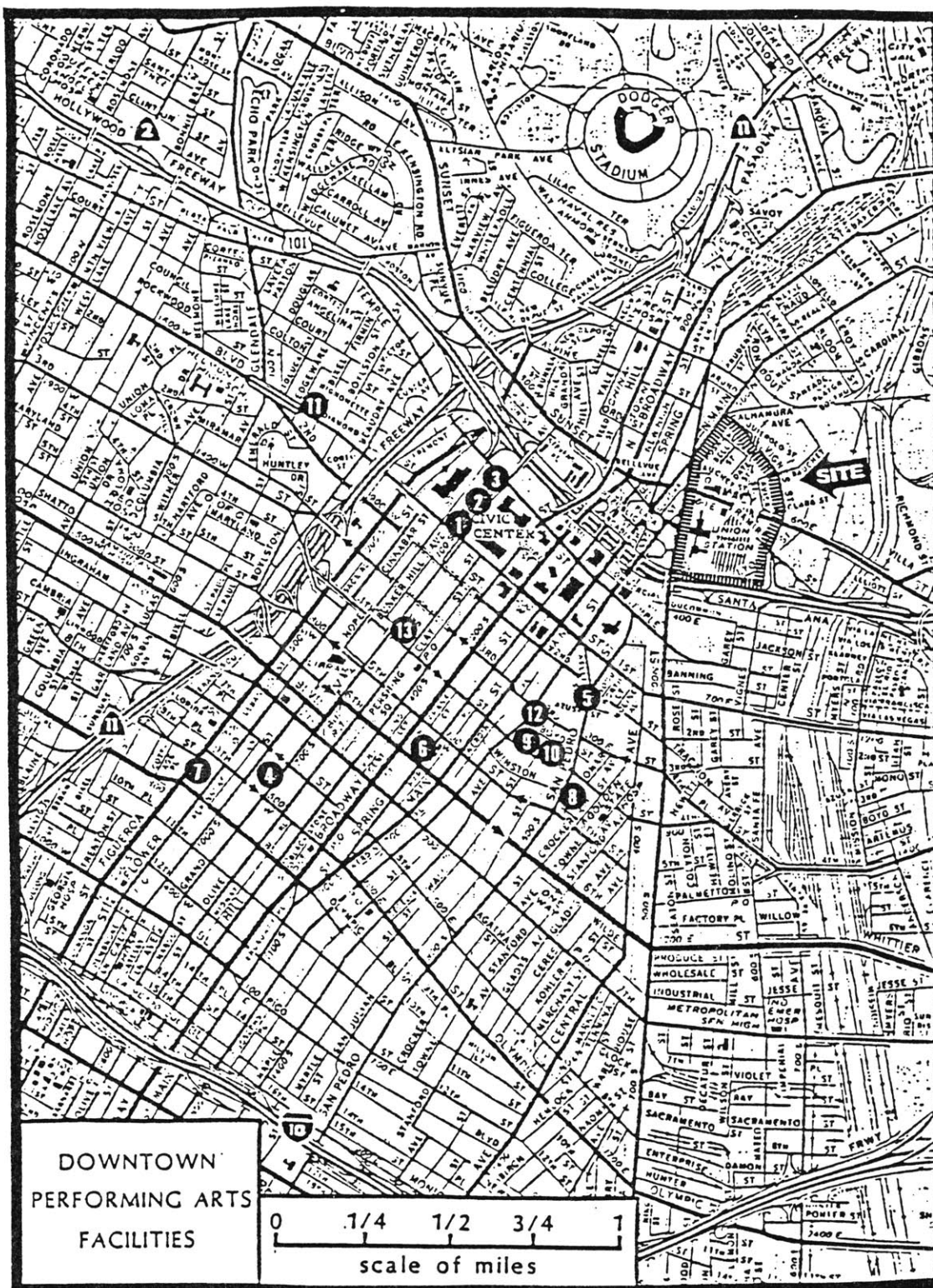
Source: Halcyon Ltd



PERFORMING ARTS IN DOWNTOWN LOS ANGELES

OPENED	NAME	KEY	SIZE (SF)	SEATS	PARKING	EXPANSION PLANS	TYPE OF FUNCTION	SCHEDULE	ADMISSION
1964	Dorothy Chandler Pavilion 135 N. Grand Avenue	1	1,000,000	3,197	2,300 spaces	Proposed concert hall of equal size	Symphony; Opera; Theatre; Choral; Dance; Musicals; Musical Plays	Tu-Sun 7:30 or 8 + Mat 2	\$9-\$30
1966	Ahmanson Theater 135 N. Grand Avenue	2	550,000	2,017	2,300 spaces	None	Musical Plays	Tu-Sun 7:30 or 8 + Mat 2	\$8-\$27
1966	Mark Taper Forum 135 N. Grand Avenue	3	85,000	742	2,300 spaces	None	Plays; Light orchestral ensembles	Tu-Sun 7:30 or 8 + Mat 2	\$15.50-\$21.50
1981	Embassy Theatre 851 S. Grand Avenue	4	14,900	1,632	950	None	Everything except theatre	M-Sat 8pm, Sun 7 5-Sun Mat 2	\$8-25* \$8-25
1983	Japan America Theatre 244 S. San Pedro St. 8505	5	N/A	877	None	None	Music; Dance; Kabuki opera-Japanese, American & Japanese	Fri-Sat Mat 1 pm	\$2-15 +
1973	Los Angeles Theatre 514 S. Spring St.	6		1,220	None	In process	Plays; Music/Dance; Interaediated Poetry	Daily 8 1-1h-5-Sun Mat 2	\$8-20
1975	Variety Arts Center 940 S. Figueroa St.	7		1,200	\$3/valet	None	Radio shows; Bands; Opera-anything fun to look at or listen	Varies with functions	\$12-men \$15 non-men
1983	City Stage 443 S. San Pedro St.	8	2,000	50	50	None	All kinds of theatre, emphasizing experimental	Thu-Sat 8 PM	\$6-8
1982	Boyd Street Theatre 301 Boyd St.	9	1,400	50	None	Under construction	Original plays, experimental and stylized; also dramatic musicals	Fri-Sat (occas Sun) 8pm	\$7-8
1982	Wallenboyd Center 301 Boyd St	10	2,400	50	None	Under construction	Original plays, experimental and stylized; also dramatic musicals	Fri-Sat (occas Sun) 8pm	\$7-8
1963	Bob Baker Marionette Theater 1345 N. 1st St.	11	7,200	245	60	None.	Marionette productions	9-Sun & Easter 2:30	\$5 child, \$6 adult
1983	Theatre of N.O.T.E. 303 Boyd St.	12	\$2,500	50	None	None	Orig. 1-act plays, trad. emphasis	Fri-Sat, Mon 8	\$4
1987	The Dance Gallery Calif. Plaza, 3rd & Grand	13		1,000	3,100	None	Dance and dance-related	Daily 5PM (theatre)	\$13-16

Source: Halcyon Ltd



Athletic Facilities

The table which follows, provides a description of key operating characteristics of major athletic facilities in the Downtown area. The average size facility is 11,500 square feet with the exception of the Los Angeles Athletic Club (LAAC) and the Jonathan Club (JC), both exceeding 80,000 square feet. The membership and monthly fees vary according to the activity, whether it is individual or family membership and the age group. The membership ranges from 20 to 5,400 members depending on the size, services offered, and whether the facility has a referral program with hotels, e.g., the Sheraton Grande and the Westin Bonaventure. The services offered range from passive (jacuzzi, sauna and massages) to active (racquetball, weights, running, aerobics); the University Club, LAAC, JC, the Biltmore Hotel and the Nautilus Aerobics offer the most comprehensive athletic services to the Downtown employees. The typical users of these facilities are professional males in the age group of 25 to 50 years old and use the facilities mainly during the noon hour and after work. Most of the facilities are open from 5 AM to 10 PM Monday through Saturday and some are closed Sundays; only the JC is open 24 hours. The target group for most of the facilities are male professionals in the age group of 25 to 50 years old; women professionals are not being targeted but represent approximately 20% of the users of all facilities with the exception of the JC.

Athletic facilities require certain conditions when examining potential sites. The proximity to downtown employees and professionals is important as well as the availability of large open rooms for aerobic floors and weight rooms. Special requirements such as ceiling heights and floor weights must be considered when planning squash courts or swimming pools.

Facilities that have an athletic orientation, as opposed to social, allocate between 1,000 and 2,000 square feet of space to locker rooms. Due to its size, the L. A. Athletic Club uses approximately 8,500 square feet for locker rooms. The majority of the space in each facility is allocated to the club's athletic specialty. The L.A. Racquet Club reserves its space for the racquet courts, Nautilus allocates its space for aerobic floors and weight rooms. Those facilities that emphasize social needs divide their footage equally amongst eating, lounging, meeting and sleeping areas. Both types of clubs allocate very little space (between 200 and 2,000 square feet) to office or administrative needs.

Four of the seven facilities studies are owned by the members of the company itself. The University Club receives space in exchange for property given to the owners of the building. Lease rates were not available for the L.A. Racquet Club and Nautilus.

Both the YMCA and the California Club reserve 114 and 200 parking spaces, respectively, for their members in a structure on the location. The remaining facilities refer members to public lots either on or nearby the premises. Validation for lower parking rates is available in most cases.

Facility operators stated that the design of and criteria for locating in a specific type of building was based upon programming needs. Each club was designed around member services. Only one club cited parking as a consideration; operators said the target market for their facilities is downtown employees who would either walk or use public transit to reach their facility. Office space was not considered until after programming needs were met.

An athletic facility on the LAUPT/USPS site is a necessary amenity, especially in a mixed-use development. The fitness conscious Los Angeles population places special value to these types of facilities when deciding on locating an office or booking a convention. While it is difficult to pinpoint the added revenue, we can expect athletic facilities to pay market rents. Additionally, athletic clubs trigger the need for dining and drinking establishments.

**SELECTED ATHLETIC FACILITIES
DOWNTOWN LOS ANGELES**

LOCATION	SIZE in sq. ft.	FEES	MEMBER SERVICES	MEMBERSHIP SIZE	USER PROFILE	OPERATION HOURS	PEAK USAGE	TARGET GROUP
L.A. Racquet Club* 333 S. Flower St. Suite 300 629-2525	3,000	*\$99 for 6 months aerobics classes * \$100 per general membership initially * \$28.25 per mo., thereafter \$400 per year or \$150 initially \$43.25 monthly	8 tennis courts, aerobics, universal gym, weights, running track, lifecycle	300	male professional in the age group of 30 to 50	• Mon. - Fri. 6:30 am - 9:00 pm • 9-4 Saturday • closed Sunday	Noon	Professionals in the age group of 30 - 50
Sanwa Health Spa, New Otani 120 S. Los Angeles St. 687-4597	7,000	\$250 per year	sauna(9), jacuzzi(35), massage(45) for non-members	20 members, but accept fees for single services daily use M-F: ages 25-30 Weekend: ages 40-50	Professional in: - law - medicine - management majority are male clients	* Mon.-Saturday 10 am-10 pm * Sundays 12-9	After 5pm	All Professionals in Downtown
* Sheraton Grande and Westin Bonaventure patrons use these facilities								

**SELECTED ATHLETIC FACILITIES
DOWNTOWN LOS ANGELES**

LOCATION	SIZE	FEES	MEMBER SERVICES	MEMBERSHIP SIZE	USER PROFILE	OPERATION HOURS	PEAK USAGE	TARGET GROUP
Nautilus Aerobics	21,000	*\$11 per month *\$50 down *\$199 first year *\$50 after that	aerobics, 3 sets of Nautilus equip., Keyser weights, free weights, sauna, steam, jacuzzi, shower, men's women's locker facilities, nutritional counseling including massage, dietitian, chiropractor and personalized instruction	weekends - 500 per day weekdays - 1,000 to 1,400 per day (most after 5) *no set membership size as members from all clubs in Southern California may use facility.	Age group: 20-35 downtown professionals	Weekday 5AM-12 midnight Weekend 8AM-8PM	after 4:30	Age group: 20-35 downtown professionals
Biltmore Hotel 515 S Olive	12,000	*\$125 yr. (all but massages) *\$125 initial fee	Nautilus equipment life cycle, bikes, free weights 3 instructors swimming pool steam sauna whirlpool juice bar showers lockers aerobics	500 Operate at 50% capacity to avoid over-crowding	downtown professionals 2/3 men 1/3 women	6:30-8 M-F Sat. 10-6 Closed Sundays	Morning 6:30-8 AM 11:30-1:30 PM 4:30-7:30 PM	Male professionals

**SELECTED ATHLETIC FACILITIES
DOWNTOWN LOS ANGELES**

LOCATION	SIZE	FEES	MEMBER SERVICES	MEMBERSHIP SIZE	USER PROFILE	OPERATION HOURS	PEAK USAGE	TARGET GROUP
L.A. Athletic Club 431 W. 7th	80,880 occupies 4 floors of the building	<ul style="list-style-type: none"> • Family \$650 initially \$84 month • Junior Partner age 31 • \$325 \$42/month • Corporate -comm. with # from firm who join 	Indoor pool track basketball aerobics callisthenics paddle tennis squash Nautilus gym lifecycle handball	5,400	downtown professionals 19% women 79% men	5:30-10 PM 7:30-5:30 weekend	6-8 AM 12-1 5-8 PM	downtown male professionals (with corporate membership incentive)
Jonathan Club	not available	<ul style="list-style-type: none"> \$10,000 initial fee \$165 month 	full service club	4,000 approximately	not available	24 hours	not available	not available
SOURCE: The Wilshire Organization July, 1986								

**SELECTED ATHLETIC FACILITIES
DOWNTOWN LOS ANGELES**

LOCATION	SIZE	FEES	MEMBER SERVICES	MEMBERSHIP SIZE	USER PROFILE	OPERATION HOURS	PEAK USAGE	TARGET GROUP
California Club 538 S. Flower	7,000 square feet	not available	dining athletic (small) weight running track messhouse squash et steam room *more of a social club, athletic section is small	not available	downtown professionals age group: 25-50	M - Sat 7am-9am 12-3 6-9pm dining Athletic 7 days 8-5pm	Noon	Age group: 25-50
University Club 640 W. 6th Street	20,000 square feet	varies with age over 35 \$750 - \$110/run age 30-35 \$375 initially 60/run age 29 & below \$150 initially 40/month	breakfast lunch dinner bus. meetings rooms 3 squash courts exercise room steam sauna basketball court outdoor swimming pool universal gym free weights	1,000	*professional men - majority *small % of women	8:30 - 8:30 M - F Not open on weekends	6 - 8am mornings 11:30 - 1 4pm - 8pm	male professionals who work downtown

SELECTED ATHLETIC FACILITIES

DOWNTOWN LOS ANGELES

LOCATION	SIZE	SPACE ALLOCATION	RATES	PARKING	CRITERIA FOR LOCATION	COMMENTS
YMCA Hope and 4th (roof of Arco garage)	65,000 s.f.	*gymnasium - 6000 s.f. *locker room - 2000 s.f. each *courts (6) - 800 s.f. each *office 1-2000 s.f. *pool - 2,700 s.f.	owned by YMCA	114 spaces allocated in Arco garage, if needed	*facility was designed around YMCA programming (i.e. swimming, aerobics) *space that remains is designated office, emphasis is on athletic space	*centrally located to serve entire central city *must accommodate programming *parking not a major concern; expect most users to work downtown and walk to club *free standing; no longer emphasize "hotel" image and did not choose to anchor to a hotel
CALIFORNIA CLUB 339 S. Flower	7,000 s.f.	*dining - 2,800 s.f. *sleeping - 2,100 s.f. *lounging - 1,400 s.f. *athletic - 700 s.f. (this space largely allocated to a running track, squash courts)	owned by members	200 spaces; included with membership	*designed around social needs, not athletic *very little office space required	*desired free standing facility to accommodate restaurant, sleeping facilities
L.A. RACQUET CLUB 333 S. Flower	3,000 s.f.	*office - 700 s.f. *majority of space devoted to racquet courts	not available	available for members in Trade Center lot for a fee	*area must accommodate programming	*primary consideration was space for racquet courts *parking - preferred to anchor within a building containing parking

SELECTED ATHLETIC FACILITIES
DOWNTOWN LOS ANGELES

LOCATION	SIZE	SPACE ALLOCATION	RATES	PARKING	CRITERIA FOR LOCATION	COMMENTS
NAUTILUS 9th and Figueroa	21,000 s.f.	*locker - 2000 s.f. *office - 200-500 s.f. *remaining footage is primarily allocated to aerobics and Nautilus equipment	not available	members park in public lot; club validates for lower rates	*area had to accommodate programming; large floor space for aerobic and weights	*facility chosen based on programming
BILTMORE HOTEL 515 S. Olive	12,000 s.f.	*locker room - 1000 s.f. *office - 500-700 s.f. *majority of space allocated to pool, gyms, sauna and steam rooms	owned by the Bilt- more	available in hotel lot; validated for members during selected hours	*parking was a major concern; impossible to locate elsewhere without anchoring to a facility with parking	
UNIVERSITY CLUB 640 W. 6th St.	20,000 s.f.	*athletic - 6000 s.f. with emphasis on pool, basketball, squash courts *office - 1000 s.f. *remaining footage is equally divided into eating facilities, meeting rooms, hotel rooms	lease is free in exchange for property given to building owner	*not included; members park in building's lot for a fee	*designed as a luncheon business meeting facility	*chose location because members work in downtown area *type of facility not as important as location *area of facility must be large enough to accom- modate programming

SELECTED ATHLETIC FACILITIES
DOWNTOWN LOS ANGELES

LOCATION	SIZE	SPACE ALLOCATION	RATES	PARKING	CRITERIA FOR LOCATION	COMMENTS
L.A. ATHLETIC CLUB 431 W. 7th	80,880 s.f. athletic facilities occupy 4 floors of 12 story building	*gyms - 3000 s.f. *locker rooms - 9000 s.f. *office - 2-4000 s.f. *courts - 8000 s.f.	owned by L.A. Athletic Club Corp.	in public structure adjacent to club for a fee	*centrally located for those who work downtown	*designed around programming needs

*Source: The Wilshire Organization, July 1986

Vocational Schools

Vocational schools were included in the study because of their large size and adaptability to the USPS site. Most of the existing schools in the Central Business District lease space in secondary locations for five year periods. The largest of these schools is the Fashion Institute of Design and Merchandising, currently planning an expansion and relocation to South Park. The new 140,000 square foot facility will offer design and merchandising programs to approximately 2,000 full time students.

Vocational schools seeking new facilities have certain general programs to follow. In the survey with these schools, significant criteria was revealed.

The space allocation for administrative uses range from 3% to 15%, with five schools using 10% for this purpose. The remaining square footage is used for classrooms and laboratory facilities.

Three of the schools -- one private and two public -- are owner operated; the other three lease the property at an annual lease rate ranging from \$10.20 per square foot to \$23.50 (gross). The typical lease rate for the vocational schools in the CBD is less than \$12 annually.

Access to public transportation and freeways is the major factor that contributed to these schools locating their operation in the Downtown area. The size and location of the underserved/unserved vocational courses market in the greater Downtown Area were two other elements considered in locating Downtown. In the case of the Friedman Occupational Center (F.O.C.) their decision to locate was based on being accessible to a population in need of the curriculum they offer.

Because more than 85% of the student population relies on public transportation, parking is not a major concern. However, FIDM, F.O.C., and LA Trade Technical College do need additional parking (an excess of 1,500 spaces, collectively) to accommodate current and anticipated enrollment expansion.

Webster College is considering expansion, probably within the next three to five years; they have a one and one-half year old facility in Bellflower (9,000 square feet) and Long Beach (36,000 square feet). F.O.C. would consider expansion by 20,000 to 30,000 square feet for child care, classroom and parking facilities (100-150 spaces). national Technical College would

consider expansion, provided that the location has adequate and affordable parking and is less congested. Although, easy access to public transportation remains the key decision factor.

Abram Friedman Occupational Center, a publicly subsidized school, currently occupies 55,000 square feet at 1,646 S. Olive. They will require space for expansion in the next two years and represent a potential vocational user for the USPS site. The advantage of these types of users is that they bring people to the site from outside the immediate area and can make up one portion of a mix of uses in the USPS building. Rents would have to be at or below the secondary office market rate to attract vocational users who shop for large open spaces, easily partitionable, at relatively low rental rates.

The charts which follow provide a summary of the operating characteristics and size and locational criterion for seven vocational institutions in Downtown Los Angeles.

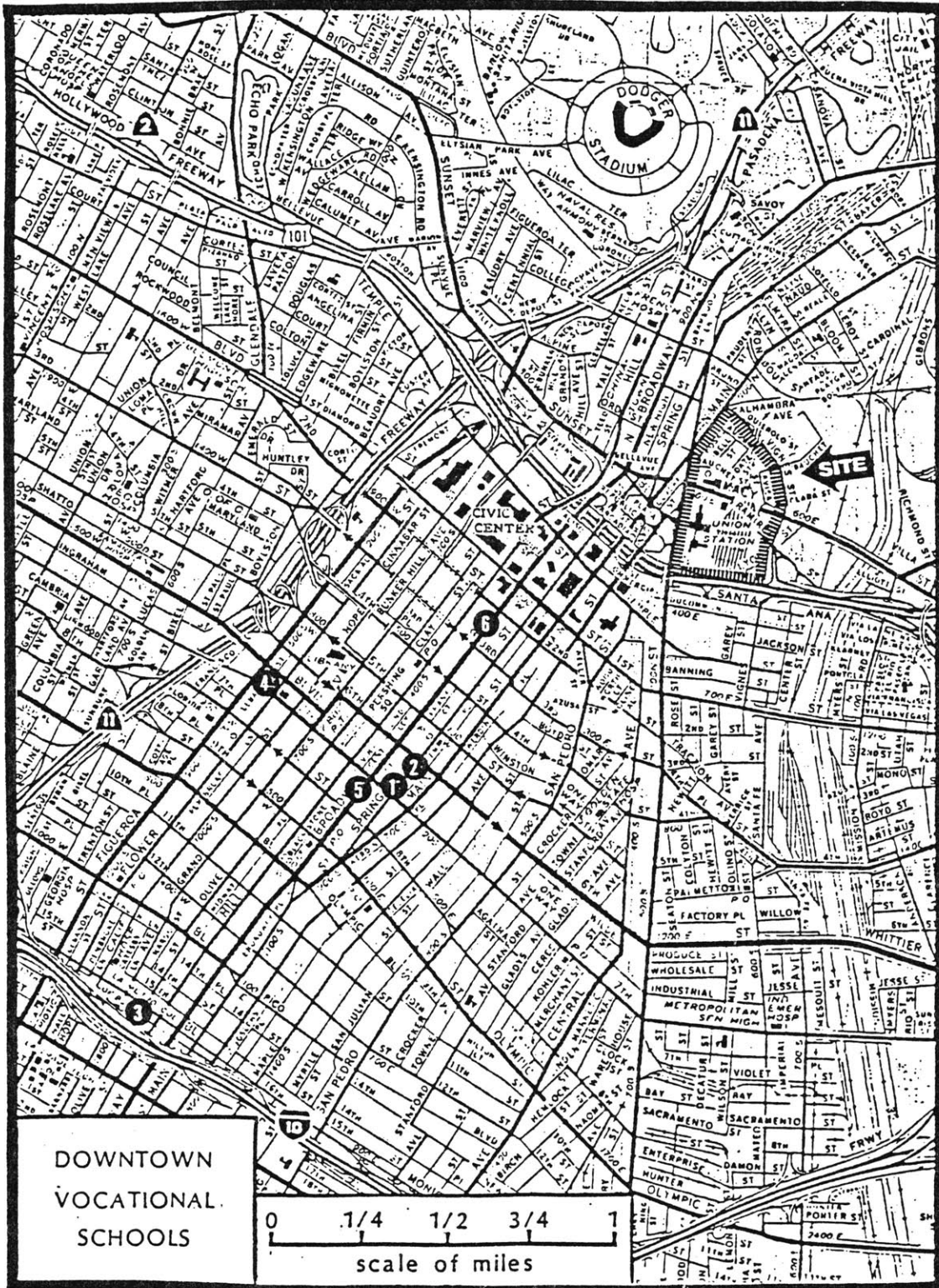
SELECTED VOCATIONAL SCHOOLS IN CBD

LOCATION	ENROLLMENT	FEES	SIZE	CURRICULUM	EXPANSION RELOCATION CONTRACTION PLANS	OWNERSHIP STATUS LEASE OWN	COMPETITION	USER PROFILE	
Adelphi Business Col. 632 S. Spring Street	700	N/A	14,000	• Bookkeeping • Office Assistance	None-plans to remain in CBD if relocation is necessary	5 years		All business colleges in the CBD • black - 75% • hispanic - 20% • other - 5%	1
National Technical College 600 S. Spring	200	\$1,500 per course	15,000	• Medical • Dental • Lab Assisting • Word Process- ing	Just opened in March	5 years	• Pacific Coast College • Bryman School	18 - 25 years M/F 50/50 • black - 60% • hispanic - 30% • other - 10%	2
Friedman Occupational Center 1616 S. Olive	2,000	\$20-\$30	55,000	35 Vocations •Electronics •Clerical •Secretarial •Carpentry	Physical expansion required in the next 2 years(operating since 1966)	L.A. Unified School District	Private schools in the greater L.A. area	16 - 22 years M/F 50/50 • hispanic - 45% • black - 20% • other - 35%	3
Fashion Institute of Design and Merchandis- ing(FIDM) 818 W. 7th Street	2,000 full time	\$6,500 per yr.	84,500	1-3 year college programs in design and merchandising; 9 certificate programs	Relocation to South Park to a 140,000 sq. ft. facility	2 years	None	18 - 22 years M/F 15/85 • anglo - 40% • minority - 60%	4

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SELECTED VOCATIONAL SCHOOLS IN CBD

LOCATION	ENROLLMENT	FEES	SIZE	CURRICULUM	EXPANSION RELOCATION CONTRACTION PLANS	OWNERSHIP STATUS		COMPETITION	USER PROFILE
Los Angeles Business College 707 S. Broadway	350	\$3,800 per year	9,000	9 months • Accounting • Bookkeeping • Business Adm. • Placement	None (Since 1954)	5 years		Junior Colleges	18 - 25 years • hispanic - 50% (majority female) • black - 30% • Pacific Asian/-20% other
Webster Career College 207 S. Broadway	300	\$3,900 per year	12,000	7 - 8 months • Secretarial • Accounting • Medical & Administrative Assisting • Word Process- ing • Data Process- ing • Clerk Typist	None	5 years		Career Colleges	18 - 35 years • hispanic - 55% • black - 35% • Asian/other - 10%
Los Angeles Trade Techn- ical College 400 W. Wash- ington Blvd.	12 - 17,000 during regular semester	\$50 tuition	25 Acres	Vocational programs, graphics, retail	None		L.A. Com- munity College District	Higher Institu- tions Private Colleges	Mid to Upper 20's M/F 50/50
Source: The Wilshire Organization; July, 1986					101b				



Size and Locational Criteria for Selected

Vocational Schools in
Downtown Los Angeles

LOCATION	SIZE	SPACE ALLOCATION	RATES	LOCATIONAL CRITERIA	PARKING	COMMENTS
Los Angeles Business College 707 S. Bdwy.	9,000 sq. ft.	10% administrative 90% teaching facilities	\$10.20 (gross)	access to public transportation; safe environment for students	not a major problem or requirement since most students depend on public trans.	See table for additional comments
Webster Career College 222 S. Hill	40,000 sq. ft.	15% administrative 85% teaching facilities	Owner-operated	access to public transportation; size of the market	not essential	See table for additional comments
National Technical College	15,000 sq. ft.	10% administrative 95% classrooms	\$12/yr. (gross)	access to target pop.; access to public trans.; access to freeways	essential for commuter students	See table for additional comments
Friedman Occupational Center	55,000 sq. ft.	3% administrative 95% classrooms 2% counseling offices	Owner-operated (L.A. Unified School District)	nearby the community they targeted 25 years ago (South and East Los Angeles)	need about 100 to 150 spaces now	See table for comments
Los Angeles Trade Technical College 400 W. Wash.	25 acres	10% administrative 90% classroom facilities	Owner-operated (L.A. Unified School District)	access to public trans. and freeways	adequate on-site parking	No expansion envisioned in the near future
F.I.D.M.	84,500 in four locations	15% administrative 85% classroom and workshop/conference facilities	\$23.50 (gross)	access to freeway; access to the garment industry	parking is necessary due to high proportion of commuter students	Will relocate to South Park to a 140,000 sq.ft. facility

Source: The Wilshire Organization July, 1986

101d

Wholesale Marts and Facilities

Wholesale centers were examined because of their potential to utilize the existing USPS building. These wholesale centers have become prevalent in the periphery areas of Downtown as can be noted by the exhibits which follow. Palace Square for instance, is a recently renovated project totalling 1.25 million square feet of exhibition and wholesale showrooms. Rents at Palace Square are reportedly in the \$13 to \$15 range. Palace Square was created by linking two historical landmarks in Downtown - the old May Co. Building and the Eastern Columbia Building.

There is a growing toy industry in Downtown Los Angeles in the area bounded by Los Angeles Street and San Pedro and Third Street and Eighth Street. This area also contains the Downtown art district with studios and galleries, the Central Police Station, the Greyhound and RTD bus terminal, and the Flower Mart. Warehouse space is scattered throughout the area and is leased by Chinese and Taiwanese toy distributors at low rates. The toy industry needs this inexpensive space to display their toys, but often has to locate storage space out of the downtown because of the lack of available storage space.

The concept of consolidating the toy industry into one area or building in conjunction with The Children's Museum which has been discussed, but because of the inexpensive rates required by toy distributors it could be difficult to create. The toy merchants do want to be near their competitors and it is possible a temporary mart at the USPS Terminal Annex Building could work in conjunction with The Children's Museum. This mart would not include storage space, but one floor of sales areas could be provided for the merchants to display their toys. The spaces could be smaller, in the 500 to 1,000 square foot range and leased at rates of \$7 to \$12.

The toy industry is one example of the type of mart that could be created. The furniture, garment, jewelry and design industries have already been housed in Downtown Los Angeles but there are other potential industries, such as electronics, stationery, sporting goods or footwear, without a central and unifying location.

SELECTED WHOLESALE FACILITIES
DOWNTOWN LOS ANGELES

	LOCATION	SIZE	SPACE ALLOCATION	RATES	TERMS	PARKING	CRITERIA FOR LOCATION	COMMENTS
1	PALACE SQUARE	1.25 million s.f.	<ul style="list-style-type: none"> *loading - 20,000 s.f. *showroom (average) 4000 s.f. *storage - 28,000 s.f. *majority of space is showroom 	<ul style="list-style-type: none"> storage - \$6 s.f. NNN showroom- \$15-22 NNN 	5,10 yrs	<ul style="list-style-type: none"> *1,200 spaces on premises *2000 spaces available (surface and structure) within one block 	<ul style="list-style-type: none"> *storage *loading facilities *parking is a major concern 	*low rents are major attraction
2	L.A. DESIGN CENTER 4th and Spring	560,000 s.f. gross 350,000 rentable showroom space	<ul style="list-style-type: none"> *showroom (average) 1,200 s.f. *storage - 3-4000 s.f. 	<ul style="list-style-type: none"> \$12 NNN 	5 yrs	<ul style="list-style-type: none"> 3-400 spaces on premises 	<ul style="list-style-type: none"> *storage *loading facilities *customer parking 	<ul style="list-style-type: none"> *very little space devoted to office needs *showroom size and accessibility of location for customers are primary considerations
3	JEWELRY MART 6th and Hill	not available	<ul style="list-style-type: none"> *300 showrooms - range from 300 to 2,500 s.f. *average showroom is 1,200 s.f. *office - average is 25% of showroom footage 	<ul style="list-style-type: none"> not available 	10 yrs	<ul style="list-style-type: none"> *customers park in public lots *loading facilities on premises 	<ul style="list-style-type: none"> *parking *showroom size *storage *reputation as a jewelry mart 	<ul style="list-style-type: none"> *area for jewelers is impacted *reputation as jewelry mart attracts tenants who wish to be near competitors

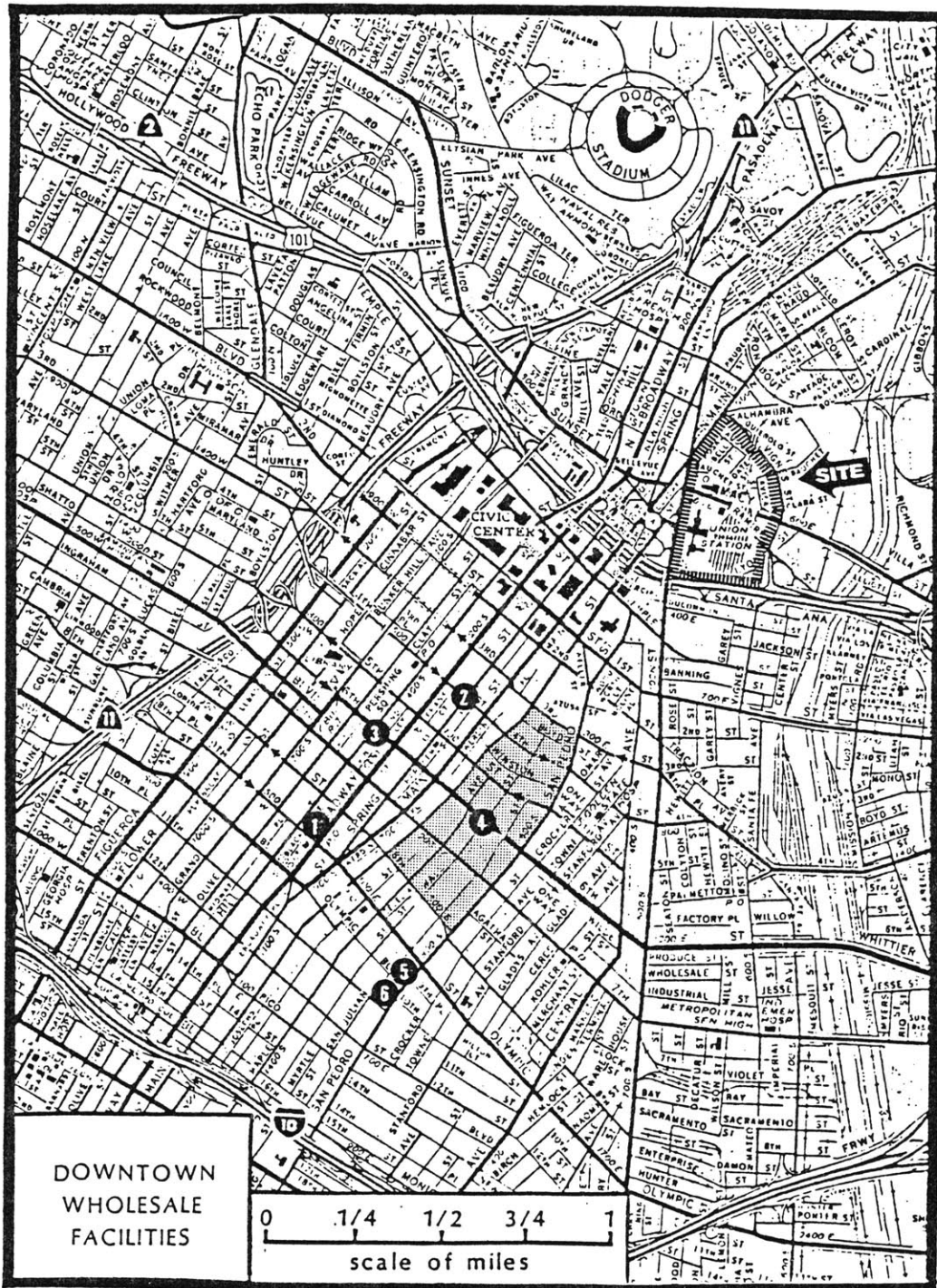
SELECTED WHOLESALE FACILITIES
DOWNTOWN LOS ANGELES

LOCATION	SIZE	SPACE ALLOCATION	RATES	TERMS	PARKING	CRITERIA FOR LOCATION	COMMENTS
4 TOY MART	average tenant 5000 s.f.	*sales - 500-2000 s.f. *storage - varies from 2000 and up *office -200-500 s.f.	\$7.20 - \$24.00 gross	2-3 yrs	most parking for customers located in public lots	*loading facilities *proximity to major avenues of trans- portation (i.e. freeways, airport) *parking in public lots nearby for customers	*common to rent majority of storage space outside the area due to lack of available space *merchants are drawn to the area for its central location to the freeway inter- changes and air- ports and its reputation as a growing toy mart; merchants want to be near their competitors and their customers
5 PRODUCE MART Central Avenue (new facility)	500,000 s.f. total average warehouse is 5,800 s.f.	*office - 1,100 s.f. \$10.44 *loading - 1,300 s.f. *storage/sales - 2000		merchants allowed to become part owners (80%) with 15 yr lease agreements	88 warehouse docks	*larger storage and sales space *in-house cold storage facilities *automated equipment (i.e. forklifts at each dock). *loading space	*merchants agreed that improved working conditions are worth the added expense *most merchants typically occupy more than one warehouse *increased parking and maneuvering space allows traffic to move freely during peak morning trade hours *new facility is 100% occupied; demand for space exceeds supply

SELECTED WHOLESALE FACILITIES
DOWNTOWN LOS ANGELES

LOCATION	SIZE	SPACE ALLOCATION	RATES	TERMS	PARKING	CRITERIA FOR LOCATION	COMMENTS
6 PRODUCE MART 7th and 9th streets	*150,000 s.f. for each market *4000 s.f. average for each facility	*office - 800 s.f. *remaining area is sales; sales floor becomes storage at the end of the day	\$2.64 gross	not available	*space for parking and maneuvering of trucks limited	*lease rates (low) *loading facilities *cold storage space *ease of transportation	*spaces left by those transfer- ring to new facility have been easily filled

Source: The Wilshire Organization, July 1986



MARKET SUMMARY AND CONCLUSIONS

Office Development Opportunities

Office absorption rates are projected to decline over the next few years as pent-up demand is satisfied and companies expand their area and locational requirements to take advantage of favorable lease terms created by the substantial oversupply of office space. Vacancy rates in downtown are expected to decline to the 10% to 12% range through the early 1990s.

In order for the LAUPT/USPS site to achieve adequate absorption to realize the anticipated five to six million square feet of on-site office space within a 20 to 30 year build-out, the project must reach beyond the downtown market and compete for office tenants on a regional level. A fair share capture of only the downtown market absorption generates an average on-site absorption of 100,000 to 150,000 square feet per year representing as much as 50% to 75% of the downtown absorption of secondary office space.

If the project can effectively compete with the regional submarkets of Mid-Wilshire/Park Mile/Miracle Mile, Glendale, Century City and Pasadena, a reasonable 20 to 30 year build-out can be anticipated. The LAUPT/USPS sites would have to capture an aggressive 9% to 14% of these competitive markets to achieve an annual 229,000 square feet of absorption.

The convenience and access provided by the intermodal regional transportation systems combined with the project's size, mix of destination uses, public support and location on the periphery of downtown may create the critical mass necessary to establish the project's competitive position in the regional office market.

The project's success will depend less on projected absorption rates than on its ability to attract major tenants in the early phases of the project through an aggressive marketing and construction program. The LAUPT/USPS project must distinguish itself from both the downtown and competitive sub-markets by the environment it creates for working, shopping and visiting. The opportunity exists to create a community and an identity that grows out of a complementary mix of uses, building types and sensitive design. This image must be established, probably with considerable expense, at the initiation of the project in order for the LAUPT/USPS mixed-use site to be recognized as a regional office location.

Retail Development Opportunities

The Union Station site is projected to support 210,000 square feet of specialty retail and restaurants by 1991 to 1992. Forty-eight percent of the support for retail is provided by an anticipated one million tourist visitors. The downtown, civic center and on-site office population provide 17% of the first year support, growing to 20% by 1995 as the on-site population grows. The balance of 35% of supportable retail is driven by the residential population within the primary, secondary and tertiary markets.

Although calculations show support for 210,000 square feet, few specialty centers in the country are of that size. A smaller, 150,000 square foot center is recommended with room for expansion unless larger anchor stores or substantial retail support can be secured at the time of development.

Hotel Development Opportunities

Existing and projected market conditions combined with the site's less competitive location limit hotel development opportunities until substantial office and transportation improvements can be realized. Although support cannot be demonstrated through conventional methodologies, a specialty hotel (200 to 300 rooms) which takes advantage of the unique architecture of the train station, the proposed themed retail and the mixed-use character of the development may be feasible in the first phase of the project. A hotel is desirable for setting the initial image of a substantial mix of uses and diversity of development.

As the on-site office space is developed and the project receives more regional recognition, demand for up to 750 hotel rooms could be generated assuming five to six million square feet of office space.

Specialized Uses

Museums and cultural uses may require some public and private funding but can make a substantial contribution to the project by increasing visitors and creating a development theme for retail and other uses. The Children's Museum or a train museum may be ideal candidates.

A variety of uses, including a trade center, merchandise mart, athletic club, and a vocational school were reviewed as potential alternative or interim development concepts for either of the two sites. The trade center would require a minimum of 300,000 to 400,000 square feet of permanent rotating exhibit space for the display of international merchandise and the housing of trade shows.

Conclusions

It is the interaction between the mix of uses on both sites which will assure the ultimate success of the development program. On the LAUPT site, the suggested development program for Phase I will include tourist and specialty retail, a tourist and business hotel, a cultural attraction, a night club-entertainment center, and the transportation facility for Amtrak. Phase I at the USPS site would include renovating the Terminal Annex Building for alternative uses to be determined by the developer who submits the most lucrative and well thought out proposal. These uses could include a mix of a Children's Museum, toy mart, a vocational center, a trade center, secondary office and/or a health club. The Post Office would maintain a 50,000 square feet retail facility and the existing surface and structured parking would remain. The design of the two projects should encourage interaction by allowing movement on three levels. There will be an at grade connection, a platform level connection at the rear of the USPS building and an aerial connection across Macy Street. Further enhancing the activity level at the new development will be the transportation component. With Metro-Rail to begin construction in late 1987, and the existing Trailways, Amtrak, DASH and El Monte bus lines in place, the site becomes a focal point for the Los Angeles business and residential community's travels.

The design and character of the development will be such that tourists and locals will be attracted to the site. The downtown area is emerging as a night time cultural destination with the long awaited Museum of Contemporary Art opening in December and the Bella Lewitzky Dance Gallery scheduled to break ground later this year in Cal Plaza. The Music Center is planning a large expansion and the San Pedro Street area is slowly becoming a miniature version of Manhattan's Soho loft district, with live theater and galleries. Los Angeles' downtown is far from a bustling Manhattan at 10:00 p.m. but this new growth will bring residents back to Downtown in the

evenings. The LAUPT/USPS site could create a downtown center of its own. With the proposed development program, the LAUPT/USPS site and Downtown Los Angeles will be able to compete on a broad regional scale with other centers of activity like Westwood, Melrose Street, Main Street Santa Monica and Century City.

PROPOSED DEVELOPMENT PROGRAM

The proposed mix and phasing of uses is recommended to meet projected market demand and to develop the sites in a manner consistent with the surrounding urban environment. The locational and physical attributes enable an unprecedented development, highlighting historical and cultural aspects of the community and capitalizing on the significant opportunities created by a multimodal regional transportation facility.

The proposed use program is purposefully different from the scale and density in Downtown Los Angeles. The LAUPT/USPS development has a unique opportunity to create a large scale and cohesive destination development on a pedestrian level, sensitive in urban design to those who visit and work there. The site is distinct in its size, off center location and transportation facilities. The Metro-Rail will lend the site an unparalleled advantage because of the first 6.4 mile line which will originate at Union Station. As a result, the LAUPT/USPS site should receive significant recognition as the starting point for Los Angeles highly visible initial development of a new mass transit system.

U. S. Post Office

There are two alternative development schemes for the United States Postal Service site. The first alternative assumes assemblage of the land and street between Alhambra Street and Alameda Street. This alternative gives the two sites similar frontage characteristics and improves access to the USPS site from Alameda. Alternative Two utilizes the existing property bounds, maintaining Alhambra Street.

Alternative One includes a major structure with the same orientation as the Union Station building and duplicates the orchard parking along Alameda Street found on the LAUPT site. The second alternative places a major structure on the corner of Bauchet, Alameda and Alhambra, and calls for low-rise development on the remaining open areas behind the building. A

variation on this low-rise development dedicates a share of the remaining open area to a periphery parking structure. If periphery parking is to be included on one of the sites, the USPS site is more easily adaptable. The large open contiguous space and accessibility combined with easy access and servicing make the USPS site easier to build on than the LAUPT site with its numerous structures and trackage.

The phasing of the two alternatives, the space allocation and the mix of uses is essentially the same until the third phase projected for 2004.

Both alternatives include renovation of the Terminal Annex Building in 1990 or Phase One for various uses including secondary office, a wholesale market, a vocational school and/or an athletic facility. These alternative uses also combine potential uses for the LAUPT site but the analysis has been conducted with the USPS site in mind. The existing parking structure on the USPS site would remain, as would a 50,000 square foot Post Office retail facility. The addition to the Terminal Annex Building is removed in both scenarios. If secondary office is the decided re-use for the Terminal Annex Building, it could take four years to develop, based on a 75,000 square foot annual absorption.

The second phase of development for the USPS site involves either a 500,000 square foot office building or a combination office and 400 room hotel. If the hotel combination is the decided course of action, it would probably come on line one year after substantial office space is developed on the LAUPT site. This office building/hotel is the major building on the corner of Bauchet Street, Alhambra Street and Alameda Street in Alternative Two and sits further behind the Terminal Annex Building because of the additional orchard parking along Alameda Street. In 1999 Phase Three A of the USPS development program adds a Trade Center and Exhibition Mall to the previously developed office and/or hotel. The effects of choosing to assemble the additional land are apparent in Phase Three B. Alternative One which assumes assemblage, places the development of high and mid-rise office buildings at 1,300,000 square feet, with one million in two high-rise towers and 300,000 in low-rise structures. Alternative Two, on the other hand, includes only a 500,000 square foot high-rise and 200,000 square feet of mid-rise or 700,000 square feet total. The two alternatives vary only in

the final stages of development and in the proposed land plan and orientation. The years to total build-out are accordingly longer in Alternative One because of the expanded square footage.

It is important to note that both development programs for the LAUPT and USPS sites utilize absorption figures from a 1986 study. At the time of actual development, absorption may differ substantially requiring modification to the proposed development schedule and program.

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ALTERNATIVE DEVELOPMENT PROGRAMS

27-Jul

Los Angeles Union Passenger Terminal and US Post Service Terminal Annex Sites

1986

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US POST OFFICE - MIXED USE DEVELOPMENT PROGRAM - ALTERNATIVE 1

(Assuming assemblage of land between Alameda and Alhambra Streets)

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Date	Proposed Uses	INITIAL BUILDING AREA	PARKING spaces/ 1000 SF	ANNUAL ABSORPTION	TOTAL SUPPORTABLE AREA	TOTAL PARKING	MINIMUM SIZE OF ADDITIONS	YEARS TO TOTAL BUILDOUT
=====								
1990	PHASE "I" DEVELOPMENT PROGRAM							
	o Rehab Terminal Annex Bldg. for Alternative Uses *	300,000	2.00 600	75,000	300,000	600		4.0
	o Post Office Retail Facility	50,000	4.00 200		50,000	200		
	o Maintain Existing Surface and Structured Parking							
	Total Phase I Program	350,000	800		350,000	800		4
=====								
1993	PHASE "II" DEVELOPMENT PROGRAM							
	o Signature Office Building or 400 Room Hotel & Office	500,000	2.00 1,000	75,000	500,000	1,000		6.7
	Total Phase "II" Program	500,000	1,000		500,000	1,000		7
=====								
1999	PHASE "III A" DEVELOPMENT PROGRAM							
	o Trade Center Exhibition	300,000	2.00 600		300,000	600		
	o Conference Facilities	50,000	2.00 100		50,000	100		
	o Structured Parking							
	Total Phase "III A" Program	350,000	700		350,000	700		0
=====								
2004	PHASE "III B" DEVELOPMENT PROGRAM							
	o High Rise Office Buildings	0	2.00 0	75,000	1,000,000	2,000	500,000	13.3
	o Mid Rise Office Buildings	300,000	4.00 1,200	75,000	300,000	1,200	150,000	4.0
	Total Phase "III B" Program	300,000	1,200		1,300,000	3,200		17
=====								
TOTAL US POST OFFICE PROGRAM 1		1,500,000	3,700		2,500,000	5,700		28

=====

* Alternative Uses include:

Museum	100,000
Wholesale Mart	50,000
Vocational School	100,000
Athletic Facility	50,000
Secondary Office	300,000

ALTERNATIVE DEVELOPMENT PROGRAMS

27-Jul

Los Angeles Union Passenger Terminal and US Post Service Terminal Annex Sites

1986

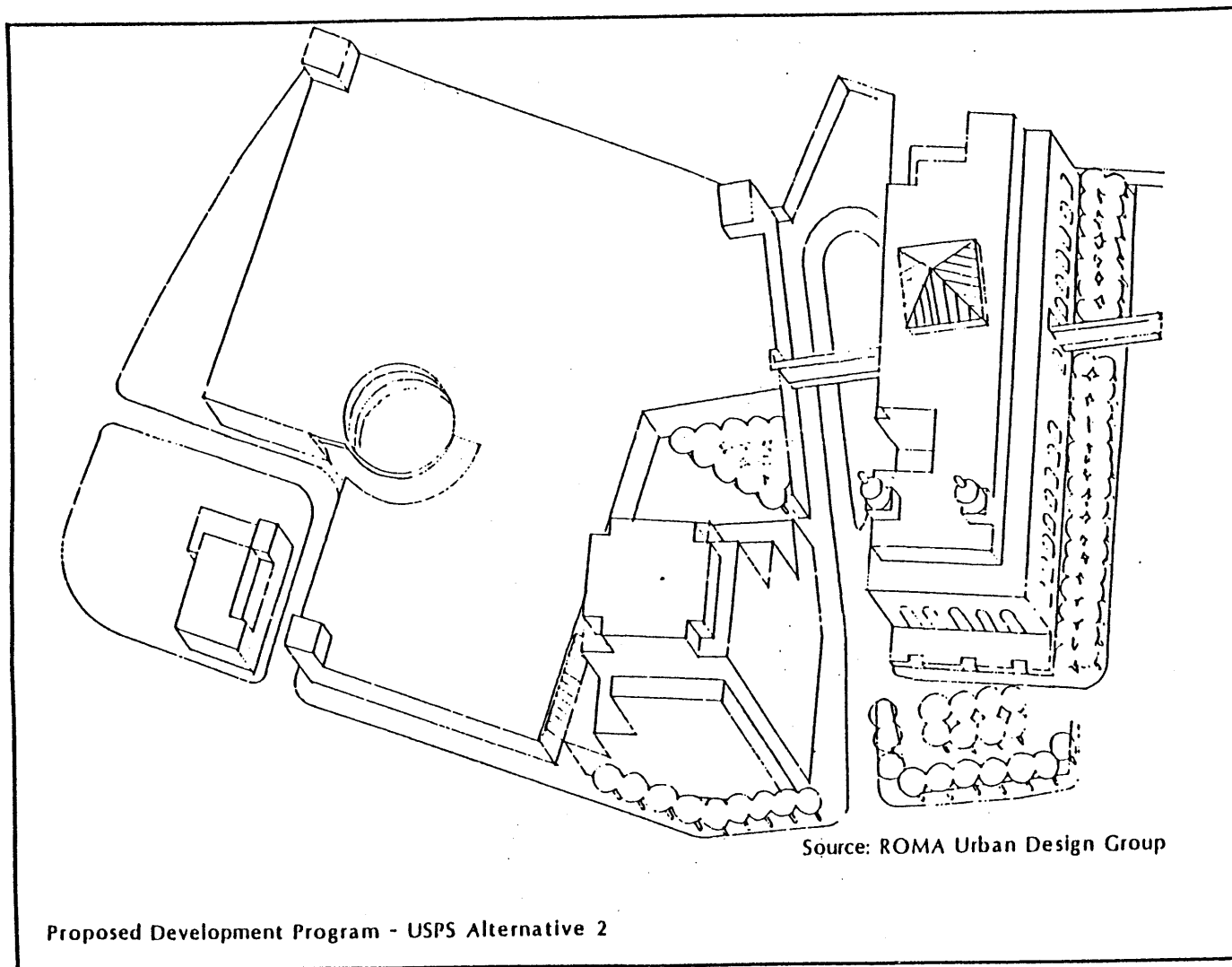
US POST OFFICE - MIXED USE DEVELOPMENT PROGRAM - ALTERNATIVE 2

(Assuming USPS property is developed maintaining Alhambra Street)

Date	Proposed Uses	INITIAL BUILDING AREA	PARKING spaces/ 1000 SF Total	ANNUAL ABSORPTION	TOTAL SUPPORTABLE AREA	TOTAL PARKING	MINIMUM SIZE OF ADDITIONS	YEARS TO TOTAL BUILDOUT
1990	PHASE "I" DEVELOPMENT PROGRAM							
	o Rehab Terminal Annex Bldg. for Alternative Uses *	300,000	2.00 600	75,000	300,000	600		4.0
	o Post Office Retail Facility	50,000	4.00 200		50,000	0		
	o Maintain Existing Surface and Structured Parking							
	Total Phase I Program	350,000	800		350,000	600		4
1993	PHASE "II" DEVELOPMENT PROGRAM							
	o Signature Office Building or 400 room hotel & office	500,000	2.00 1,000	75,000	500,000	1,000		6.7
	Total Phase "II" Program	500,000	1,000		500,000	1,000		7
1999	PHASE "III A" DEVELOPMENT PROGRAM							
	o Trade Center Exhibition	300,000	2.00 600		300,000	600		
	o Conference Facilities	50,000	2.00 100		50,000	100		
	o Structured Parking							
	Total Phase "III A" Program	350,000	700		350,000	700		0
2004	PHASE "III B" DEVELOPMENT PROGRAM							
	o High Rise Office Buildings	0	2.00 0	75,000	500,000	1,000	500,000	6.7
	o Mid Rise Office Buildings	200,000	4.00 800	75,000	200,000	800	200,000	2.7
	Total Phase "III B" Program	200,000	800		700,000	1,800		9
	TOTAL US POST OFFICE PROGRAM 2	1,400,000	3,300		1,900,000	4,100		20

* Alternative Uses include:

Museum	100,000
Wholesale Mart	50,000
Vocational School	100,000
Athletic Facility	50,000
Secondary Office	300,000



Source: ROMA Urban Design Group

Proposed Development Program - USPS Alternative 2

LAUPT Site

The proposed development program for the LAUPT site responds to market conditions and city planning considerations. By timing the completion of the first phase with the completed construction of the first 64 mile stretch of Metro-Rail in 1992, a major portion of the transportation improvements are in place at the time of opening. This first phase involves renovating the Union Station Building at the front of the site for a 150,000 square foot specialty retail center. An additional 60,000 square feet is available, but will not be built out until Phase Two. Also in Phase One is the planned development of a 200 room business and tourist hotel at the existing platform level. The hotel would utilize Union Station's main entry halls as the hotel lobby. A promenade would be formed at the platform level overlooking the gardens and plaza's below at the renovated Union Station Building. The promenade would extend over Macy Street forming the aerial connection to the USPS Terminal Annex Building. A railroad museum will be located in the area which separates the LAUPT site from the USPS site (above the Macy Street Tunnel). This will act as a unifying point for the sights with access to the back of the USPS Terminal Annex Building. Phase One includes a 15,000 square foot cultural attraction in the Union Station Building, where the main ticketing area is currently located. An entertainment center is also planned for this phase of development. This element can include either cinema or night club uses to integrate and attract people from the specialty retail areas and the hotel. The final component of Phase One is a 50,000 square foot Amtrak facility used for ticketing and baggage. This facility will be at the platform level, near the existing tunnel to the tracks.

Phase Two A at the LAUPT site involves either a 500,000 square foot office building or a 400 room hotel in conjunction with approximately 250,000 square feet of office. If only office is developed, it could take 3.3 years to build-out based on absorptions of 150,000 square feet per year. Of course, this period would be cut in half if the hotel is built. This aspect of the LAUPT development is to take place at the Southern end of the LAUPT site, adjacent to Highway 101. The excellent access and prominent positioning will add to the drawing power of the LAUPT site. The development of this office structure should be considered as part of Phase I

if supported by existing market conditions because of the contribution it could make to the project's initial recognition and creation of a critical mass on site.

Phase Two B will involve a 150 room addition to the first phase hotel at the platform level. This addition is above the Metro-Rail area which will have been completed and will allow a Metro-Rail entrance and exit station at the lobby and platform level of the hotel complex. Office buildings will be built to the east of the hotel totalling approximately 700,000 square feet in three mid-rise structures.

The final phase of development is estimated to begin in 2001, taking advantage of air rights above the existing railroad tracks. Two high-rise office towers totalling 1.2 million square feet will be built with an eight year absorption period. An 800,000 square foot mid-rise building is also included in the program over the tracks as well as open courtyards with convenience retail for the office users. The total program for the LAUPT site will take 21 years to develop, assuming a 150,000 square foot annual office absorption, with a total of approximately 3,800,000 square feet, 2.9 million of which is mid and high-rise office.

ALTERNATIVE DEVELOPMENT PROGRAMS

27-Jul

Los Angeles Union Passenger Terminal and US Post Service Terminal Annex Sites

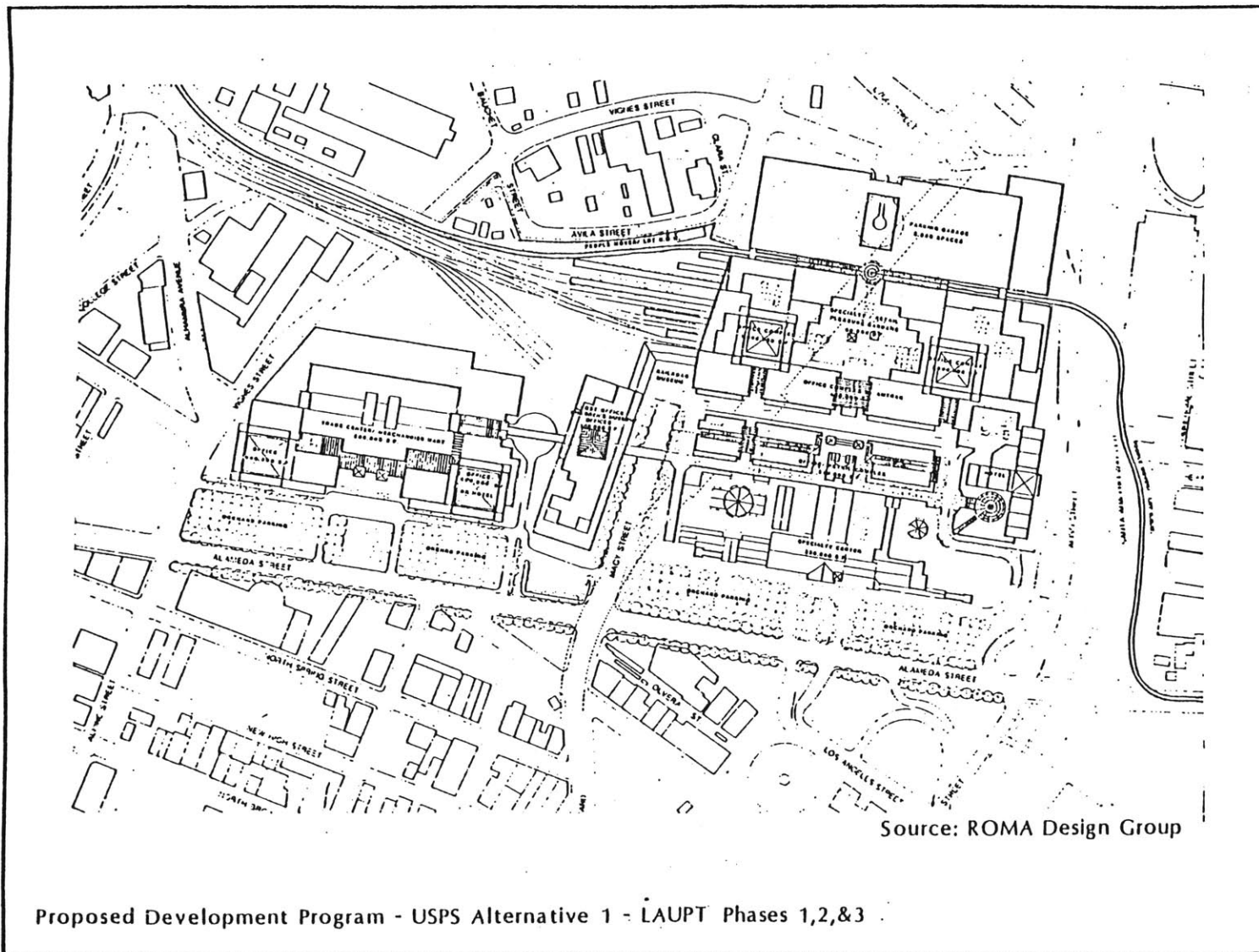
1986

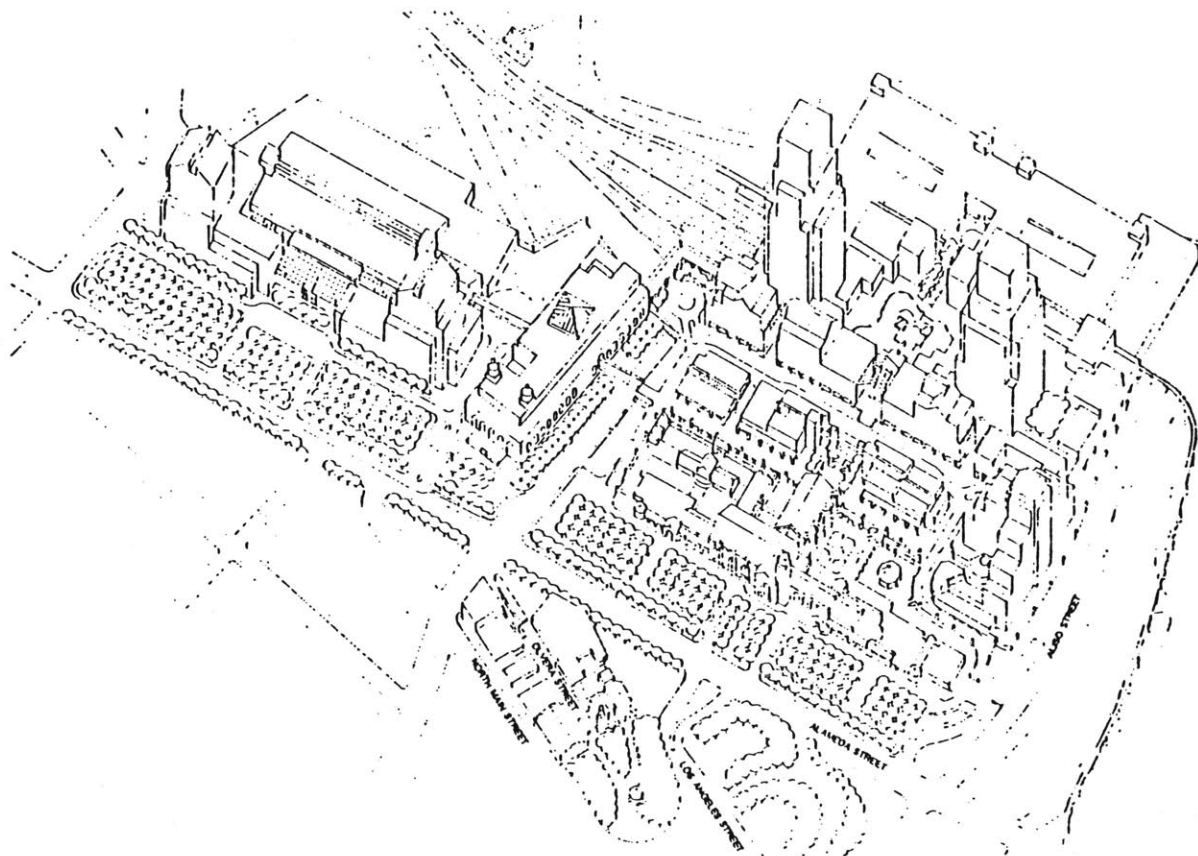
LAUPT SITE - MIXED USE DEVELOPMENT PROGRAM

Date	Proposed Uses	INITIAL BUILDING AREA	PARKING spaces/ 1000 SF Total	ANNUAL ABSORPTION	TOTAL SUPPORTABLE AREA	TOTAL PARKING	MINIMUM SIZE OF ADDITIONS	YEARS TO TOTAL BUILDOUT
1992 PHASE "I" DEVELOPMENT PROGRAM								
	o Specialty/Tourist Retail	200,000	4.00 800	0	200,000	800	25,000	
	o 200 Rm Tourist/Bus. Hotel	150,000	1.50 225	0	150,000	225	50,000	
	o Cultural Uses/Attraction	15,000	2.00 30	0	15,000	30	10,000	
	o Entertainment Center	15,000	4.00 60	0	15,000	60	10,000	
	o Amtrak Ticketing and Baggage	50,000	10.00 500	0	50,000	500		
	Total Phase I Program	430,000	1,615		430,000	1,615		0
1994 PHASE "II A" DEVELOPMENT PROGRAM								
	o Signature Office Building or 400 room hotel & office	500,000	2.00 1,000	150,000	500,000	1,000	0	3.3
	o Service/Convenience Retail	5,000	0.00 0	0	5,000	0	0	
	Total Phase "II A" Program	505,000	1,000		505,000	1,000		3
1997 PHASE "II B" DEVELOPMENT PROGRAM								
	o Mid Rise Office Buildings	250,000	2.00 500	150,000	700,000	1,400	200,000	4.7
	o 150 Room Hotel Addition	100,000	1.50 150		100,000	150	50,000	
	o Service/Convenience Retail	15,000	0.00 0		15,000	0	15,000	
	Total Phase "II B" Program	365,000	650		815,000	1,550		5
2001 PHASE "III" DEVELOPMENT PROGRAM								
	o High Rise Office Buildings	600,000	2.00 1,200	150,000	1,200,000	2,400	600,000	8.0
	o Mid Rise Office Buildings	0	2.00 0	150,000	800,000	1,600	250,000	5.3
	o Service/Convenience Retail	40,000	4.00 160		40,000	160	10,000	
	Total Phase "III" Program	640,000	1,360		2,040,000	4,160		13
	TOTAL LAUPT SITE PROGRAM	1,940,000	4,625		3,790,000	8,325		21

Maximum Supportable Mix of Uses:

Specialty and Service Retail	260,000
Tourist and Business Hotel	500,000
Mid and High Rise Office	2,950,000
Cultural and Transportation Uses	80,000
	=====
	3,790,000





Source: ROMA Urban Design Group

Proposed Development Program - USPS Alternative 1 - LAUPT Phases 1,2,&3

FOOTNOTES

- (1) Source: Department of Commerce, Bureau of the Census.
- (2) Source: 1980 Census, July 1, 1985 Urban Decision Systems Estimates.
- (3) Annual Planning Information, Los Angeles Long Beach 1985, 1986; Halcyon Ltd.
- (4) ibid
- (5) ibid
- (6) Source: California Real Estate Directory, Summer 1986.
- (7) ibid
- (8) Source: Municipal Auditorium Department, Los Angeles Convention Center.
- (9) Source: Pannel Kerr Forster; Halcyon Ltd.

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